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How U.S. Cotton Is Sold for Export



Foreword

Exports of U.S. cotton fluctuate considerably from year to year; average annual exports during the last few years have been comparable to those of about 60 years ago. The largest U.S. export volume during this period was 11.3 million bales in marketing year 1926/27, while the smallest shipments, averaging only about 1.4 million bales, were during 1940-44. Marketing year 1979/80 exports reached 9.2 million bales, the highest level since 1926/27.

This publication, intended for those who are interested in U.S. cotton exports, covers the functions and procedures involved in selling U.S. cotton abroad. It updates the 1972 edition to reflect changes that have occurred during the past decade. The section on "Foreign Cotton Arbitration Systems" has been revised to eliminate references to outdated fee schedules and to provide more uniformity in the text covering activities of each of the foreign cotton arbitration boards.

A brief section on U.S. Government export programs for cotton is included; however, the reader should also consult the detailed publications explaining these programs that are available on request from the U.S. Department of Agriculture.

Also included are separate sections that briefly describe the export markets and the activities of the various U.S. and international organizations engaged in the export and promotion of U.S. cotton abroad. However, information on the basic practices and features that have characterized the U.S. cotton export marketing system for many years has been retained with only slight modification to reflect current conditions.

The author acknowledges with thanks the assistance provided by U.S. cotton trade representatives, USDA cotton specialists, Foreign Cotton Arbitration Board officials, and U.S. agricultural counselors and attachés posted in foreign cotton markets.

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Glenn R. Samson
Director
Tobacco, Cotton, and Seeds Division

Terminology

"Cotton" means raw cotton, while "spot cotton" refers to actual raw cotton in bales in certain locations. "Cotton futures" is defined as a contract for delivery or receipt of raw cotton during a specific future month. In most cases, a cotton futures contract is offset by a purchase or sale of a cotton futures contract and no actual cotton moves in the transaction (see section entitled "hedging," page 11).

Figure 1

Physical Flow of U.S. Cotton to Foreign Markets

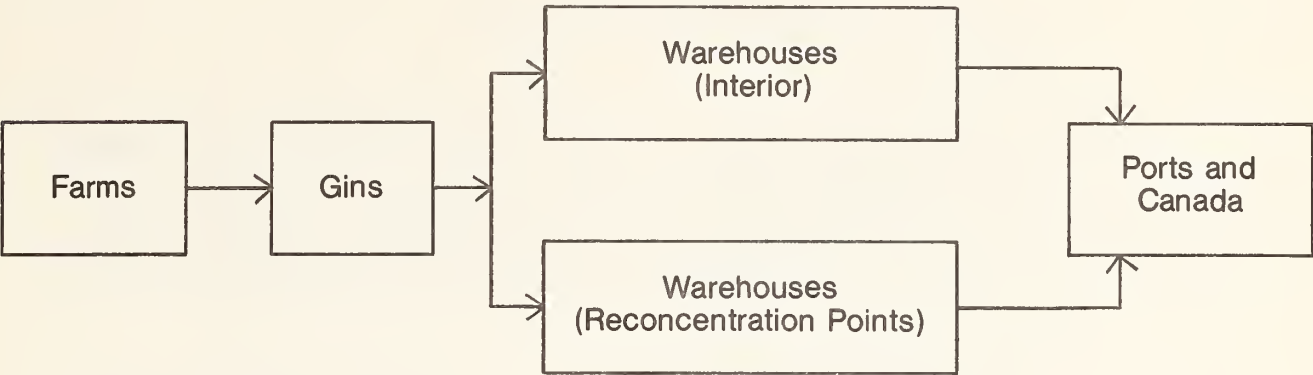
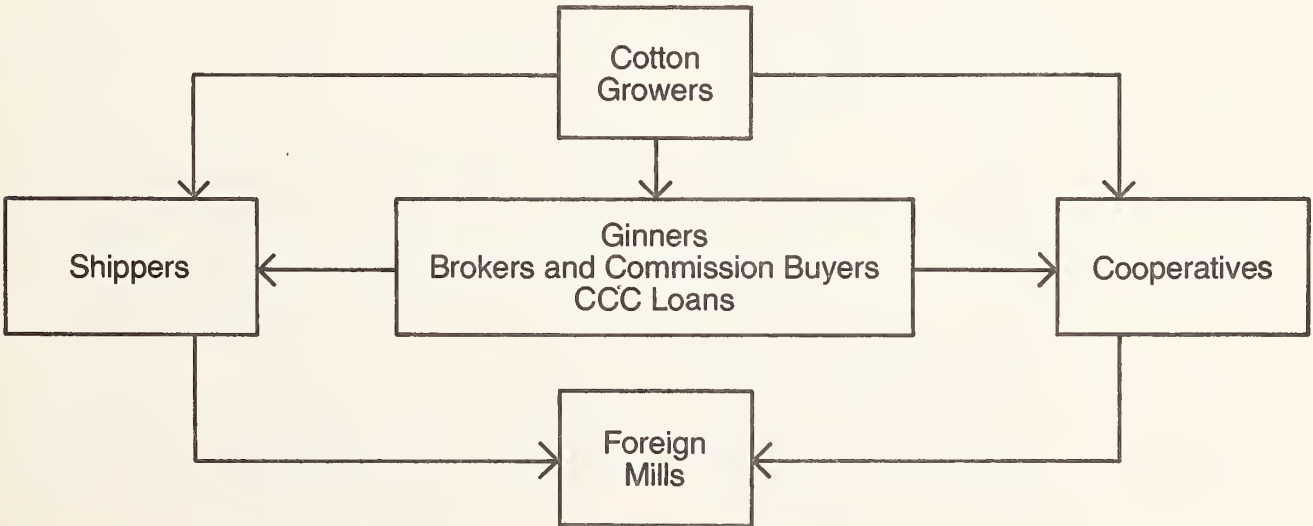


Figure 2

Flow of Ownership Documents for Merchandising U.S. Cotton to Foreign Mills*



*Bills of Lading

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How U.S. Cotton Is Sold For Export

BY HAROLD RABINOWITZ

Tobacco, Cotton, and Seeds Division
Foreign Agricultural Service

Organization of the Raw Cotton Trade

The U.S. cotton trade comprises all firms (including cooperatives) and individuals handling the buying, selling, warehousing, and shipping of cotton from the time it is ginned until it reaches the mill door in the United States or abroad.

Types of Marketing Firms¹

Cotton not placed under loan at harvest, or redeemed from loan, is usually sold to one of the following types of firms represented in the major cotton regions:

1. Merchant-shippers, who perform all functions involved in moving cotton from the producer to the foreign mill, actually hold title to the cotton from the time it leaves the growers' hands until it is purchased and/or delivered to a foreign mill or trading firm.
2. Cooperative marketing associations, which act as shippers, represent producer-members of the association, and distribute any profits to producers. Some cooperatives operate their own compress warehouses as part of the marketing process.
3. Brokers or commission buyers purchase cotton in country markets from producers or ginnermen and sell it to domestic mills on behalf of merchant shippers or large producers. They sometimes sell the cotton to merchant shippers for resale to foreign mills.
4. Gin-buyers, who are usually gin owners supplementing their income, can be classified as merchant shippers in that they take title to the cotton. However, in actual practice, they often have a prearranged outlet for their volume, either to a bona fide shipper or direct to the cotton department of a domestic textile firm.

5. Foreign trading companies recently have been establishing offices in various Cotton Belt locations. These operations are primarily for export, although some sales are made domestically. Such firms usually buy from producers and cooperatives.

Marketing Practices

Cotton marketing begins when the producer delivers seed cotton to the gins (figures 1 and 2). Seed and trash are separated from the lint at the gin. The baled lint then moves directly to warehouses for storage and further compression to universal density (28 pounds per cubic foot). Most new gins now being constructed, and some of the larger existing facilities, are installing universal density presses to eliminate the need for this traditional warehouse service. A compression allowance is usually paid to the gin by the warehouse for delivery of universal-density bales.

Frequently, bales are bought at the gin by ginnermen, or by country buyers for merchants and country merchants. Producers who retain the bales and do not put their cotton under Government loan may later give samples of cotton to a spot broker for selling on a commission basis. Ginnermen who buy the cotton at the gin may wait until they accumulate a certain number of bales before selling them to country buyers for merchants and country merchants. Ginnermen may also give samples of their cotton to spot cotton brokers for sale. Cotton in the hands of country merchants is also sold to country buyers for merchants.

Spot cotton brokers offer for sale cotton belonging to farmers, ginnermen, mills, and cotton merchants. The latter use a spot cotton broker to sell lots of cotton that the merchants have no sale for. The main business of spot cotton brokers is dealing with actual cotton, that is, selling the cotton by means of actual samples representative of each bale, and on a "guaranteed through" basis. (This means that cotton merchants may offer cotton for sale for later delivery through spot cotton brokers, with the quality and weights guaranteed through to export destination.)

¹ Adapted in part from the publication "Marketing U.S. Cotton to Domestic and Foreign Outlets in 1977/78: Practices and Costs," by Edward H. Glade, Jr. and Joseph L. Ghetti, USDA, Economics, Statistics, and Cooperatives Service, ESCS-79, February 1980.

The main outlets for a spot cotton broker are mill buyers and city buyers for cotton merchants.

Merchant-shippers and the cooperative marketing associations handle the greatest part of each year's cotton crop, both for domestic use and for export. Approximately three-fourths of all U.S. cotton marketings are handled by these two groups. They also do some selling among themselves when the cotton needed cannot be found at the gins or with producers.

Primary services performed at a warehouse, besides storage and compression, include sampling, weighing, patching (repairing bale covering or applying new covering, patches, or markers), banding, and replacing or repairing existing bands. The warehouse issues negotiable warehouse receipts for stored cotton that owners can use as collateral against loans from banks or the Federal Government.

Title to the cotton, as represented by the receipt, may be transferred from the original depositor to subsequent owners. Cotton may be transferred from the original depositor to subsequent owners. Cotton may be moved from an interior warehouse to other warehouses for reconcentration into even-running lots before shipment to mills or ports.² Approximately half of all domestic cotton shipments now moves by truck and the remainder by rail. Some merchants own warehouses where they usually store their own cotton, as well as cotton belonging to others. Most warehouses are bonded.

Substantial progress has been made in the packaging of American cotton bales for export markets (see page 13).

Cotton is a relatively high-value commodity, and merchants handling large quantities require a great deal of bank financing. Usually, the capital of a cotton merchant represents only a small fraction of the value of the merchant's total turnover. The banks are usually willing to finance a fairly large percentage (more than 85 percent in some cases) of the value of a bale of cotton and they keep a close check on the quality of the bales pledged as collateral. Payment for cotton exported is usually by sight draft against a confirmed irrevocable letter of credit, although other terms may be used (see section entitled "Sales Terms" page 9). Cotton traded between merchants in the same locality is paid for by check against warehouse receipts, or bills of lading evidencing shipment to a warehouse or a mill.

²"Even-running lots" refers to bales of like quality in groups of 100 bales each.

Who Exports Cotton

U.S. cotton merchants do not all participate in the export trade; some confine their business to selling cotton to U.S. mills, a few handle only exports. In this publication, all cotton merchants and cotton growers' cooperatives that export are referred to as "exporters." Most U.S. cotton exporters are members of either the American Cotton Shippers Association (ACSA) or American Cotton Marketing Cooperatives (AMCOT).

Some of the principal spot cotton markets where exporters are located are: Montgomery, Ala.; Memphis, Tenn.; Greenwood, Miss.; Dallas, Lubbock, and El Paso, Tex.; Phoenix, Ariz.; Greenville, S.C.; Augusta, Ga.; Pine Bluff, Ark.; and Fresno, Calif. Exporters are also located in small cities throughout the Cotton Belt.

Not every cotton exporter tries to sell in all export markets or offers all of the varieties and growths produced in the United States. It is difficult and expensive to serve efficiently all of the 50 or more foreign countries that buy U.S. cotton; some exporters, therefore, concentrate on certain foreign countries and other specialize in particular U.S. growths. A number of American firms handle other growths besides U.S. cotton, but today fewer U.S. firms handle foreign cotton than before.

The volume of U.S. cotton exported annually per firm varies between 200 and 1 million bales; the majority of firms export fewer than 100,000 bales. Before World War II, several firms exported more than 1 million bales annually.

The number of exporting firms has declined since the early 1960's. Some exporters do business in foreign markets under more than one trade name and through more than one agent. The main purpose of using trade names is to achieve wider outlets since one agent cannot always sell to all clients in a country. Many exporters, however, do not feel that trade names are necessary; the practice of using multiple trade names is diminishing.

Another type of exporter buys cotton from merchants or exporters on the same terms as those on which cotton is sold to foreign clients. This exporter can be either a buying or selling agent, but makes a commission only on sales. All shipping documents are made out in the exporter's name by the seller. The quality, weight, and tare, are "guaranteed through" to destination by the seller.

The buying agent pays the seller upon presentation of all the shipping documents and draws a draft on the foreign client against a letter of credit. The

turnover on this basis is very small compared with the exporter's direct business with foreign customers.

There are also general import-export firms that handle all kinds of commodities and materials and that buy cotton for export on a "guaranteed through" basis because they are not equipped to buy it first hand in the country of origin, or in the spot markets as can most cotton exporters. The majority of general import-export firms are located in New York City.

Countries with small cotton industries often buy cotton through "tender notices" distributed to ACSA and to exporting cooperatives by their Washington embassies or consulates in the United States. Others appoint American steamship agents or general import-export firms to buy cotton. If the sales are under Public Law 480, these firms must be approved by the U.S. Department of Agriculture.

Establishing Connections Abroad

Selling in Foreign Markets involves greater expense than domestic business because the greater distances involved mean higher telegraphic and telephone costs, greater travel expenses to make personal contacts, and larger costs to forward samples and types. However, cotton business transactions with overseas buyers have been greatly speeded up in recent years, because of greater utilization of telex machines. To make a sale abroad, an exporter must establish a connection with an agent or merchant (importer) or with a mill. In newer cotton-consuming countries where it is difficult to find qualified cotton-selling agents, direct mill connections may be established. Normally, one or more trips abroad is made in order to establish satisfactory connections and to learn about the usual terms of trade in a particular country and the mills' quality requirements.

The foreign connection must be supplied with type samples if some business is to be done on exporters' private types instead of universal standards. If the exporter has to submit types to match specific requirements of a mill, considerable time is needed for their preparation and approval. The exporter may also want to prepare types to represent certain cottons specialized in.

An agency agreement is usually signed between the exporter and agent. This agreement covers matters such as the rate of commission, the method of offering, the telegraph code or codes to be used (unless a telex is available), the duration of the contract, and the expenses to be borne by each party. These arrangements require a lot of time and work. Each exporter has ideas about the form of such

an agreement, and there is no standard form of contract.

A very important exporter decision is selection of an agent for representation in foreign markets, since under ACSA rules the principal is responsible for the actions of the agent representing the exporter's interests. It is, therefore, extremely important that the principal give the agent firm and clear instructions.

The larger exporting firms *formerly* had branches or affiliates in some countries, *but the number of these* has declined. A few firms have central offices in charge of all agents in countries in a certain area. In the export trade most of the business is done through foreign-based agents of the exporters, and only a small percentage is carried on through direct connections with foreign merchants or mills.

Some cotton-processing countries buy their cotton requirements direct from exporters through government agencies. A direct mill business is conducted in countries where the number of mills is limited, a new textile industry is to be developed, or where old friendships are involved. To maintain a successful business abroad through personal contacts, regular trips are beneficial. Of course, foreign importers and mill representatives also visit the U.S. exporters.

The cotton export business involves a constant study of the prices of competing foreign growths like Mexican, Central American, Middle Eastern, Soviet, Pakistani; and others, as well as of the financial position of the foreign cotton-consuming countries.

The Export Markets

The United States produces nearly one-fourth of the world cotton crop, but consumes only 10 percent of its production. Foreign markets, particularly those in the Far East, are the beneficiaries. Substantial increases in U.S. cotton exports to Asia and Far Eastern countries during the past 10-15 years, combined with declining U.S. sales to Europe (which during the early 1960's imported half of all U.S. cotton exports), have resulted in establishing Asia and the Far East as the most important buyers of U.S. cotton. Currently, about 80 percent of total U.S. cotton shipments are destined for countries in this region.

In recent years, the 10 largest markets for U.S. cotton have been: Canada, China, Hong Kong, Indonesia, Italy, Japan, Korea, the Philippines, Taiwan, and Thailand. The United States is currently either the dominant cotton supplier — or one of the

major contenders for first place — in all of these markets except Italy.

The U.S. share of world cotton exports has grown from 17 to 41 percent during the past 5 years. This trend is attributed to a number of factors, the most important of which are: (1) Increasing political instability and the need for greater food production (rather than cotton) by developing countries that had been major producers and exporters of cotton; (2) the partial withdrawal from the world cotton market by the Soviet Union in order to meet larger domestic requirements for cotton; and (3) China's expanding consumption requirements that have made that nation the largest current buyer of U.S. cotton. U.S. exports of cotton, by country of destination, in recent years are shown in table 2 of the Appendix.

U.S. and International Cotton Organizations

U.S. Cotton Organizations

These U.S. cotton organizations work to promote exports and improved standards of U.S. cotton.

National Cotton Council (NCC). This is the central organization representing all seven sectors, or interests, of the U.S. raw cotton industry: Producers (farmers or growers), ginner, warehousemen, merchants (shippers or exporters), seed crushers, cooperatives, and manufacturers (spinners). It is a voluntary private industry association established in 1939. NCC programs include technical services, foreign operations, public relations, economic and market research, and legislation.

Cotton Council International (CCI). Established in 1956, CCI is the overseas operations service of the NCC. CCI's primary objective is developing Foreign markets for U.S. cotton. CCI operates or supervises country programs and conducts a number of special projects. The country programs emphasize cooperative advertising and sales promotion for products made with U.S. cotton, market research, public relations, and fashion campaigns. Special projects include technical assistance in processing and finishing, foreign tours by the Maid of Cotton, study trips for foreign spinners to observe U.S. cotton production and marketing, missions of U.S. trade and Government officials to importing countries, advertising in international textile trade publications, and preparation and distribution of special materials, such as a U.S. Cotton Handbook. Two centrally located regional offices enable CCI to service its market promotion activities more effectively abroad.

CCI's European office is located in Brussels and its Asian/Far East office is located in Hong Kong.

CCI programs are supported by the U.S. Department of Agriculture's Foreign Agricultural Service (FAS) as well as by the U.S. cotton industry and are operated in close cooperation with FAS and trade groups in the United States and abroad.

American Cotton Shippers Association (ACSA). This is the national trade association of cotton merchants, cotton shippers, and exporters of raw cotton and of firms allied with the merchandising industry. The 150 active firms of the ACSA handle about 85 percent of all U.S. cotton exported and take an active part in promoting the increased use of cotton worldwide. With other trade groups, (ACSA establishes international standards of trade, promotes the sanctity of contracts, and requires strict adherence to contractual obligations and to arbitration awards. ACSA's headquarters are located in Memphis, Tennessee. Its membership is composed of members of the following five federal associations:

1. Atlantic Cotton Association, Memphis, Tenn.:
for Georgia, Alabama, North Carolina, South Carolina, Virginia, and Florida.
2. Southern Cotton Association, Memphis, Tenn.:
For Mississippi, Louisiana, and Tennessee
3. Arkansas-Missouri Cotton Trade Association, Little Rock, Ark.:
for Arkansas and Missouri
4. Texas Cotton Association, Dallas, Tex.:
for Texas and Oklahoma
5. Western Cotton Shippers Association, Fresno, Calif.:
for New Mexico, Arizona, and California

These five associations are in turn affiliated with ACSA, which has a great many associate members who are not members of the cotton trade, like bankers, steamship lines, freight brokers, insurance, organizations, and warehouse companies. Some cotton people may only be members of their local association and not members of ACSA (addresses of ACSA member firms are shown in the Appendix).

AMCOT (American Cotton Marketing Cooperatives).—This organization is composed of the four major cotton cooperatives. It provides the sales organization through which each of its four member cooperatives sell. AMCOT does not make any sales decisions as to prices and quality, nor does it take any responsibility for price, quality, delivery, etc., these responsibilities are left with each member association. AMCOT members handle about 15 percent of U.S. cotton exports. AMCOT members also sell

cotton to members of ACSA (see appendix for AMCOT office addresses).

Cotton Incorporated (CI).—This organization carries out a cotton research and promotion program for U.S. funded from cotton producers' contributions. These average about \$2.00 per bale under the Cotton Research and Promotion Act of 1966, as amended. A 20-man CI Board of Directors made up of cotton producers is responsible for developing and implementing the research and marketing programs approved by the Cotton Board and the U.S. Secretary of Agriculture. CI's sales promotion and marketing staff is located in New York City, and its research staff is in Raleigh, N.C. CI's operations were expanded in 1974 to include cotton marketing activities abroad. These activities until 1980 have consisted primarily of travel by CI staff members to provide fabric ideas, fashion concepts, and technical assistance to major mills in Italy, Germany, France, the United Kingdom, Netherlands, Switzerland, Spain, and Portugal. The establishment of overseas regional offices was under consideration in 1980.

International Cotton Organizations

The United States is also an active member of the following international cotton organizations which, respectively, promote cotton generically in important world markets, and work to maintain and improve cotton trading practices worldwide.

International Institute for Cotton (IIC).—With 10 other cotton-exporting nations, the United States participates in the IIC, established in 1966. The IIC's purpose is to increase throughout the world the consumption of raw cotton and cotton products through programs of utilization and marketing research, sales promotion, education, and public relations. The Institute is currently operating cotton market development programs in Japan and 13 countries in Western Europe. The active members of the IIC—Argentina, Brazil, Greece, India, Ivory Coast, Mexico, Nigeria, Spain, Tanzania, Uganda and the United States—account for about 40 percent of world cotton production and exports. Membership is open to all cotton-exporting countries that are members of the United Nations or the UN Food and Agriculture Organization.

In the field of utilization research, the IIC's program, in cooperation with leading research institutes and universities of Western Europe, provides for basic research to improve the qualities of cotton products. The research is concentrated on chemical finishing, with special emphasis given to treatments

to provide more easy-care and better wrinkle-resistant properties. Research into the unique properties of cotton for adaptation to open end spinning is also a high priority. Sales promotion activities are conducted in the 13 program countries. The broad objective is to stimulate demand for cotton products generally by emphasizing the specific advantages the fiber imparts to the product.

Committee for International Cooperation between Cotton Associations (CICCA). This committee was organized in 1975, in response to the cotton contract crisis of 1973-75 with the following purposes:

1. Provide opportunity for cooperation between recognized raw cotton associations;
2. Maintain trading practice standards;
3. Ensure proper performance of contracts and lessen the circumstances leading to technical disputes;
4. Counter attempts to evade compliance with arbitration awards;
5. Provide a forum for the general discussion of matters of importance to the international cotton trade;
6. Make representations on behalf of the world cotton trade and channel its views to government agencies and other organizations; and
7. Promote recognition of the vital role performed by international cotton traders to both producers and consumers of cotton worldwide.

CICCA is currently composed of 12 national cotton associations connected with the cotton arbitration authorities of their respective countries. CICCA maintains reciprocal observer status arrangements with the International Cotton Advisory Committee (ICAC), International Textile Manufacturers Fed. (ITMF), the United Nations Conference on Trade and Development (UNCTAD), and the International Institute for Cotton (IIC).

In these Forums, CICCA works to preserve trading ethics and the sanctity of cotton contracts to ensure sound trading and proper performance of contracts. Particular importance is attached to the preservation of fair and effective arbitration systems that will ensure equitable awards, which can be enforced in a court of law, if necessary. Currently, CICCA membership comprises these national cotton associations:

- Belgium — Association Cotonniere de Belgique
- Brazil — Bolsa de Mercadorias de São Paulo
- Egypt, Arab Republic of — Cotton Exporters Association in A.R.E.
- France — Association Francaise Cotonniere
- Germany, West — Bremer Baumwollboerse
- Italy — Associazione Cotoniera Italiana
- Japan — The Japan Cotton Traders' Association

Netherlands — De Vereeniging Voor den
Katoenhandel
Poland — Gdynia Cotton Association
Spain — Centro Algodonera Nacional
United Kingdom — The Liverpool Cotton Association, Ltd.
USA — American Cotton Shippers Association

Universal Cotton Standards Agreement

Main objectives of the Agreement are to increase the use of American cotton in overseas countries and to promote more efficient and orderly marketing of American cotton. Current overseas signatories to the Agreement are 13 leading cotton associations in 10 importing countries: United Kingdom, Japan, India, France, West Germany, the Netherlands, Belgium, Italy, Spain, and Poland. Under the Agreement the signatory associations agree to make the U.S. official standards for upland cotton grade (also called Universal Cotton Standards) the basis of their contracts for purchase and sale of American upland cotton. The agreement does not preclude contracts based on private types (actual samples).

Although official U.S. standards for length of staple are not covered by the Agreement, the signatories provide for use of these standards in their trading rules. The Agreement also provides the basic machinery for final settlement of disputes on cotton quality between U.S. exporters and overseas importers.

Under the Agreement, a conference is held every 3 years in the United States to approve for use in the United States and abroad key copies of the Universal Cotton Standards (which include the standards used by the arbitration boards of the signatory association). Proposed changes in the standards and problems in cotton quality, grading and standards are also considered. Representatives of U.S. cotton producers, ginner, shippers, and manufacturers also participate in the activities and discussions of these conferences. As a result, the conferences have become international forums for matters relating to standards, classification, and quality of U.S. cotton. The U.S. Department of Agriculture established the first Universal Cotton Standards Agreement in 1923, which was last revised in 1956.

U.S. Export Programs

In recent years, U.S. programs for financing exports have been of declining importance to U.S.

cotton exporters. The principal Government programs for cotton exports are described below.

Public Law 480

Under Title I the United States is authorized to sell cotton, cotton yarn, and unfinished fabric manufactured entirely from U.S. cotton on long-term credits to participating countries, subject to determination of availability and funding limitations. Modest downpayments, usually of 5 percent, are required. There have been no Title II cotton-grant programs in recent years.

To prevent P.L. 480 exports from interfering with normal commercial trade, the United States establishes a usual marketing requirement (UMR) in the Title I agreement under which recipient countries agree to continue commercial purchases at levels consistent with recent trade history. Sales of P.L. 480 cotton are intended to help expand world trade rather than replace normal commercial purchases of recipient countries. During the past few years, P.L. 480 programming has been limited to raw cotton. Shipments of P.L. 480 cotton have declined in recent years, largely because of the higher priority given to food commodities.

CCC Export Credit Sales Program (GSM-5)

This is a commercial program providing export financing for U.S. agricultural commodities from privately owned stocks. Financing is accomplished through Commodity Credit Corporation (CCC) purchases of private U.S. exporters' accounts receivable. Under the terms and conditions specified in the financing announcements, credit sales are made by the exporters to foreign buyers and the sales are registered with the CCC.

All transactions under the program must be covered by irrevocable, commercial letters-of-credit from acceptable foreign or U.S. banks authorizing the CCC to draw drafts for the principal plus accrued interest when payment is due. Credit periods from 6 to a maximum of 36 months are authorized in financing announcements. However, credit requests must be justified in accordance with criteria specified in the GSM-5 Regulations. Interest is charged at the rate in effect at the time the sale registration request is received by the CCC. The rate is specified in the confirmation of sales registration.

CCC Noncommercial Risk Assurance Program (GSM-101)

This program, announced February 2, 1978, is designed to facilitate private financing for sales of

U.S. farm commodities by U.S. exporters. The program protects exporters and U.S. lending agencies that finance their sales, from defaults in payments for noncommercial reasons. The program requires the export sale to be secured by a letter of credit issued by a bank in the importer's country. If the buyer's bank defaults on any of the payments for noncommercial reasons, the CCC will pay the exporter (or the U.S. lending agency financing the sale) the amount of the default.

The commitment by CCC to protect the exporter or bank, in the event of noncommercial risk defaults, permits exporters to obtain private financing not otherwise available to them. Noncommercial risk means the risk of loss arising from the inability of the foreign bank, through no fault of its own, to make remittance under its letter of credit, due to acts of governments, including the failure of a foreign central exchange authority to transfer local currency into dollars.

Whenever the Department of Agriculture (USDA) determines that GSM-101 will be useful in increasing U.S. exports to a particular market, a public announcement will be made that CCC will accept applications for noncommercial risk assurance on sales of cotton or another commodity to a specified country. Any U.S. exporter, with a sale of cotton to a buyer in a specified country, may submit a written application to CCC. Since the assurance fee must be submitted to CCC with the written application, the exporter should first determine that bank financing will be available. The export sale must be secured by an irrevocable letter of credit from a bank in the buyer's country. The repayment period cannot exceed 3 years and the cotton must be exported within 12 months after the sale contract date.

Methods of Offering Cotton

When the contacts and preliminaries have been completed, the exporter is ready to offer cotton to his agent, the foreign merchant or the foreign mill, depending on the connection made in the foreign country.

There are several kinds of offers: "firm," "regular," "good until cancelled," "special," and "good for a specified length of time." Instead of regular offers, some exporters send out quotation lists. Of course, quotations are not firm offers but merely indications of price. Exporters also make offers "subject to confirmation." This happens when certain qualities are scarce or an exporter has the same qualities under offer elsewhere. Today, actual business is done mostly as a result of special offers.

There is keen competition from foreign cotton-growing countries and from manmade fibers. Foreign importers tend to buy the cheapest cotton available. Some exporters' agents may reduce their selling commissions (usually between 1 and 1-1/2 percent) in order to meet competition when their offers are very close to competitive offers.

Cotton may be offered "on call" or at fixed prices. While most export business is done at fixed prices, the traditional system of offering cotton "on call" and making sales "on call" has made a strong comeback in recent years. This is a practice where only premiums or discounts "on" or "off" a certain futures month for the various grades, staples, and micronaire are established, while the price of the basic futures month may remain unfixed until a certain time. (Since the futures month for strict low middling (SLM) 1-1/16 inch is based on cotton delivered to a futures delivery point in the United States, the "ons" and "offs" must include the charges for ocean freight, selling commission, ocean and war-risk insurance, controller's fee, and profit in order to reflect the c.i.f. or c. & f. price, if so sold.) Even though most of the business is done at fixed or final prices, the basis ("on" and "off" the futures month) is very important to the exporter or the cotton merchant because he watches very closely the changes in premiums and discounts ("ons" and "offs") for the various grades, staples, and micronaire over the basic quality, SLM 1-1/16 inch, and thinks in terms of premiums and discounts.

In addition to the price, all offers or quotations specify the quantity, quality, terms (delivery and mode of payment), shipment, arrival or delivery periods, and period for which the offers are valid.

When a sale is made "on call," it is necessary to watch for the specified fixation time or the expiration date of the futures month. This means that the price of the basic futures month must be established at a certain time, or, in trade parlance, the basic futures price must be "fixed" or "called." Upon agreement between seller and buyer, the basic futures month before the price is fixed can be transferred to another one at the proper differences (at a premium or discount depending on the level of the new futures month) between the original and the new basic futures month.

These differences — plus the futures commission paid for the transfer of the futures contracts — are reflected in the new basis ("ons" and "offs"). This might happen if the buyer for some reason wants to postpone the fixing of the price of the futures month, as for instance when a mill has no yarn or cloth sale against purchase of actual cotton. A mill would buy

actual cotton ahead of a yarn or cloth sale, wishing to secure the basis (as premiums and discounts are called in the cotton trade) while it is low. On the other hand, if a mill considers the cotton futures month low, it would buy at fixed prices. As an alternative it would buy futures instead of actual cotton. The futures would then be sold when the mill buys spot (actual) cotton and it fixes the price of the futures month of its cotton purchase. This method of buying of cotton is now little used.

The seller (exporter) may give price-fixing instructions to the buyer for an "on call" sale; i.e., the seller may instruct the buyer to buy futures contracts through a certain futures broker when the price of the sale is to be fixed.

At times exporters allow a certain discretion (so many points.³ less) on their offers to their agents. This is a concession in order not to lose a sale. The discretion is used only when absolutely necessary to close a sale.

Today, actual business results mostly from mill inquiries for which special firm offers have been made or from bids received from abroad. A large percentage of cotton export sales is now made on private types, either prepared by the mills or by the exporters. Cotton sold equal to type is presumed to be equal to any bale (or in any flake type equal to any layer in the type). Equal to the average of the *type* must be equal proportionately to the average of *all* the bales in the type.

Most types are valid for grade, color, and character — or grade and color only, with staple, micronaire and Pressley guaranteed separately. Exporters' types represent cotton they know certain mills require or certain kinds of cotton that cannot be U.S. cotton. At times private types represent "grade, color, character, and staple" and in addition to these features, these types might also represent specific micronaire or Pressley specifications. When business is done on type, the type should be sealed in the presence of both the buyer and the seller, or their representatives, and used for arbitration purposes.

In a type, buyers ideally have before them all the characteristics of the cotton they wish to buy. Low grades, particularly, are sold mostly on private types because it is often impossible to describe properly this kind of cotton in terms of Universal Standards.

With smaller exporters, regular offers or quotation lists represent a limited range of descriptions or only the descriptions in which they specialize, plus their private types. Some exporters do not offer

cotton grown beyond the territory of their office or offices, but this practice varies. As the cotton season progresses, the number of descriptions included in these regular offers or quotation lists is reduced as current-crop supplies decline. By that time it is necessary to send out "new crop" offers, meaning offers for forward shipments.

Offers should contain the exact terms on which a sale is to be made. These terms vary with each country and with clients in the same country.

Regular offers, also called offer lists, are communicated abroad by airmail, telex, or cable, depending upon the urgency of the need for such offers. These regular offers are checked daily by the exporters and changes are made daily if necessary. These changes may involve raising or reducing the basis (premiums and discounts) for the various qualities; transferring the basic futures month to another month because of the expiration of the basic futures month originally used in case of "on call" offers; changing the shipment or delivery periods; altering the number of bales offered; eliminating offers for certain qualities unobtainable; and so on. Regular offers are not often used today because of wide market fluctuations.

Special offers are more specific, usually pertaining to a specific client who requested an offer for a certain quality or qualities. Special offers also represent offers for cotton an exporter is anxious to sell.

An exporter usually figures the price very closely when making a special offer; hence, the price may be lower than that of regular offers. Even the price of special offers may have to be changed if the market price of the qualities involved has gone up or down suddenly.

Unless otherwise stated, offers are usually valid for overnight reply. If at a fixed price, exporters normally reply before the opening of the New York futures market the next day. Sometimes buyers state that they want to have the special offers good for a specific length of time.

Some smaller firms that concentrate chiefly on domestic business confine their export business to offering only when they have specific export inquiries. In other words, they do not make regular offers.

Occasionally, exporters consign cotton abroad in anticipation of a demand in a certain country for quick delivery of certain qualities, or because they wanted to have stocks abroad to offer to foreign buyers to choose from (i.e., the buyer would take only the bales he approved) against sales with "selection clauses," as they are called.

However, consignments can become a burden when they do not move fairly quickly; it can turn out

³ A point equals one-hundredth of a U.S. cent.

that the cotton is consigned to the wrong place, and storage charges are usually higher abroad than in the United States. Moving consignments from one country to another is expensive and from one continent to the other, almost prohibitive. In some prior years one of the main reasons for consigning cotton abroad was the obligation of the exporters to export the cotton they bought from CCC under the export sales programs within a specified period of time. Hence, some exporters who had no actual export sales against a purchase of CCC cotton consigned it instead of keeping it in the United States and paying the difference between the export sale price and the domestic price, as required by the regulations of the special export programs at that time. Today, this reason no longer exists because there is no difference between the domestic mill price and export price. Furthermore, consignments are no longer financed under P.L. 480, or GSM-5.

To save money in long cables, cotton codes were used at one time. A popular cotton code was "Buenting's," made up by a German cotton dealer in Bremen. Others used English cotton codes such as "Bentley's," or private codes made up by individual firms. Nowadays almost all communications between U.S. exporters and their agents abroad are done by telex, which is fast, reliable, and inexpensive.

Sales Terms

The basic terms of a sale contain the following items: Growth, quantity, quality, price, terms of delivery, destination, shipment or delivery period, insurance, payment, commission (not usually stated in sales confirmations), controllers, and various special clauses.

It is of utmost importance that the terms and conditions of each contract be clearly stated. In particular, a contract should state where disputes or differences arising out of it — both in respect to quality and to other matters — are to be resolved if an amicable settlement cannot be reached between the buyer and the seller and an arbitration becomes necessary. In order to avoid problems that may arise regarding the jurisdiction of arbitrators, it is essential that every contract state under which association's by-laws and rules any difference or dispute is to be arbitrated, because failure to do so could well lead to an award being legally contested and invalidated (see Liverpool Cotton Association, Ltd., pamphlet entitled "Information on Arbitration Procedure, etc., as of 1st January 1980," paragraph 2, page 4). In the following description of sales terms, small sections

have also been included on weight, arbitration, and freight, all of which bear indirectly on the sales terms.

Quantity

Quantity is usually expressed in number of bales, with specified weight limitations to assume a minimum or maximum weight. Often the quantity is expressed in pounds, kilograms, bales, or metric tons. Lately sales have also been made in container loads (78-85 bales per container), to conform to this modern way of shipping.

In many countries, the allocation of funds is made by foreign government to buyers in terms of monetary figures and not in terms of baleage or weight. Thus, the availability of dollars is often instrumental in determining the quantity the importer buys.

The traditional trading unit is 100 bales or multiples thereof, although smaller lots are not infrequent, particularly when speciality cotton (usually extra-long staple) is involved. However, when the allocation of funds is in terms of monetary value, the quantity of a sale may involve an odd number of bales.

Quality

Quality descriptions usually include the origin. For example:

1. *California/Arizona Cotton*: Any cotton produced in California or Arizona.
2. *San Joaquin Valley Cotton*: Cotton produced in the San Joaquin Valley of California.
3. *Orleans/Texas Cotton*: Any cotton produced in one or more of the following States: Texas, Oklahoma, Missouri, Louisiana, Mississippi, Tennessee, Arkansas.
4. *Memphis Cotton or Memphis Territory Cotton*: Any cotton produced in one or more of the following States: Tennessee, Arkansas, Louisiana, Mississippi, Missouri.
5. *American Cotton*: Any cotton of U.S. growth.

In addition to the above, one of the following is usually added:

- a. Description in terms of Universal Standards for grade and color and U.S. Official Standards for staple. (See Appendix.)
Example: Universal Standard Middling Spotted 1-inch staple.
- b. Description in terms of private (exporter's or buyer's) type.

Example: Grade, color, and staple equal to type BOND, or grade and color equal to LEBRA 1-inch staple.

c. Description in terms of USDA Class Certificates.

The following certificates showing grade, staple, and micronaire for cotton are issued by the USDA:

Form 1 — Sometimes referred to as the “green card class” or the “Smith-Doxey Class” and is currently provided as a free service to growers. Almost all growers utilize this service. Samples for this service are submitted directly to a USDA classing office by a gin or warehouse licensed by USDA as a sampling agent. USDA certification is entered on “Cotton Classification Memorandum Form 1” (Form CN-117) showing the official grade, staple length, and micronaire of each bale furnished to the grower.

Form R — A summary listing of Form 1 classifications, a service primarily utilized by merchants, exporters, cooperatives, and mills. The summary USDA certification record is provided on a “Form R Classification Memorandum” (Form CN-358). A small fee is charged for this service. (A Form R memorandum replaced the Form B and Form M memoranda, which are now obsolete.)

Form A — The classification of samples freshly drawn and submitted to a USDA classing office direct from a warehouse licensed by USDA. This classification generally follows the classification issued under the Form 1 service. The principal difference between this service and Form 1 service is that the samples must be drawn by a warehouse, whereas under Form 1 service the samples may be drawn by a gin or warehouse. Classification of cotton under the Form A service is provided at a fee to recover costs and is primarily utilized by merchants, exporters, cooperatives, and mills. USDA certification of the classification is recorded by USDA on a “Form A Classification Memorandum” (Form CN-358). Individual classification of more than 1 bale may be entered on this form.

Form D — The classification of samples submitted by an owner or his agent to a USDA classing office. Sampling of cotton for Form D service is not carried out under any supervision or licensing program by USDA. Form D classification documents are not intended for use as a basis for marketing cotton. The classification applies only to samples submitted by the owner or his agent and the results are recorded by USDA on “Form D Sample Classification Memorandum” (CN-417). Individual classification of more than 1 sample or type of cotton may be listed on this form. Form D service is provided at a fee to recover classification costs.

Classification Validity Period.—All USDA classifications on a bale of cotton are only valid for 1 year, since cotton changes color while in storage and USDA studies show that cotton stored longer than 1 year should be reclassified. When purchasing cotton on USDA classification, the date of classification should be within 1 year from date of shipment.

For almost 25 years, some of the quality descriptions of U.S. cotton sales have included more and more Micronaire and Pressley specifications for fineness and strength, respectively. Micronaire and Pressley are specified after the grade, color, and staple (or type) descriptions, as shown in the next paragraphs. These mean that the cotton must test accordingly, but within certain tolerances stated in the sale contract. For these additional specifications, the exporters may demand varying amounts of premium.

Below are some clauses that the exporters stipulate in their sale contracts. They vary with exporters.

Micronaire Terms

Min. micronaire 3.5	Micronaire range 3.6 through 4.5, no control limit.
Min. micronaire 4.0 control limit.	Micronaire range 3.8 through 4.8, 100% certificate.
Min. micronaire 4.0 no control limit.	----
Min. micronaire 3.8, 100% certificate.	Micronaire range 4.0 through 5.0, avg. 4.6.
Min. micronaire 3.5, avg. 4.0 or higher.	----
Min. micronaire 5.1, avg. 5.2 through 5.3.	Micronaire range 3.0 through 3.4, avg. 3.2 or higher.
Micronaire range 3.6 through 4.6	Micronaire range 3.5 through 4.7 avg. 3.9 through 4.1.

Pressley Terms.—Pressley fiber strength not below 78,000 pounds per square inch, no tolerance, 10 percent certificate.

Seller's certificate for Pressley 78,000 pounds per square inch on 10 percent of the shipment, without tolerance.

Pressley fiber strength not below 82,000 pounds per square inch.

Pressley fiber strength not below 80,000 pounds per square inch, 10 percent certificate.

No other statement about micronaire differences is necessary because that is covered automatically by reference to the trade rules (Liverpool, Bremen, Osaka, etc.) that govern the contract. While it is, of course, conceivable to make a contract that allows the delivery of cotton with varying laboratory specifications, at some agreed price differential, this would not generally be done because nobody would know what the commitment really was. What premium or discount to charge, or to allow for various specifications, at time of sale naturally depends on many things, such as the actual or prospective availability of the particular specification with the particular grade and staple and growth, and the merchant's stock position.

Sales in a Foreign Currency

Making sales in currencies other than dollars necessitates selling the foreign exchange. This involves a foreign exchange contract for the amount of foreign currency to secure the dollar equivalent, for delivery when the foreign currency is due to be paid. Failure to "hedge" the foreign exchange can be as disastrous as failing to hedge the futures month in the price of cotton; foreign currencies are subject to violent fluctuations.

Hedging

Hedging of sales and purchases of cotton can be called price insurance although it is not a complete protection because there are two components in the final (fixed) price of cotton: (1) the futures month and (2) the basis (premiums and discounts) for the various qualities at a given location for actual (also called "spot") cotton. A hedge insures only against price fluctuations of the futures month on which the basis of the cotton is based. Futures are sold against a purchase of actual cotton and futures are bought against a sale. There is no proper hedge against the basis (premiums and discount) for a purchase or sale of actual (spot) cotton, except perhaps to keep an even "basis position," i.e., a position where purchases and sales of actual (spot) cotton bought and sold "on call" and at "fixed price" balance, irrespective of quality. An even "basis position" does, however, minimize the risk.

Futures

The futures month on which the merchant bases the price of an "on call" purchase or sale of actual (spot) cotton for near delivery is normally a near month. There are exceptions, of course, when the

price of the near month is considered too low or too high and depending on whether futures are bought or sold. The proper placing of hedges (buying or selling cotton futures) is an intricate matter requiring close study. For most distant shipments, "on call" sales are usually based on the "cover month," i.e., January/February/March "on March," April/May "on May," etc.

The only active cotton futures market in the United States is operated by the New York Cotton Exchange. Futures trading on this exchange goes back over a century to days when cotton moved by slow sailing vessels across the Atlantic Ocean to Liverpool. Values could change disastrously for owners of cargoes in transit. The coming of the Atlantic cable provided more rapid and more frequent information on markets and crop developments, accentuating the inherent risks in such cargoes. Offsetting these risks, the futures operation helps protect merchants and others by hedging through the purchase or sale of futures contracts.

New Orleans and Chicago have suspended trading in cotton futures until conditions warrant reopening the trading in these futures.

Abroad, the only cotton futures exchange at present is in Hong Kong. It is based on Texas cotton deliverable in Galveston, Texas.

Incidentally, the New York Cotton Exchange trades also in futures for frozen and concentrated orange juice, wool grease, tomato paste, and propane gas. The propane gas contract is still in process of being developed. At times the orange juice contract has been more active than cotton.

The New York Cotton Exchange provides trading in two cotton futures contracts: No. 1, basis Middling 15/16 inch, and No. 2, basis SLM 1-1/16 inch. The volume of trading in Contract No. 2 is very large, while Contract No. 1 has been inactive for years. In addition to the information given herein on futures trading and the two contracts, future information can be obtained on rules, definitions, types of orders, etc., from the New York Cotton Exchange, New York 10005.

Some of the essential features of the Number 2 contract are outlined below.

Trading Unit.—A contract for cotton is a unit of 50,000 pounds (approximately 100 bales) with an allowance of 1 percent more or less.

Price quotations and minimum fluctuations.—Prices are quoted in cents and hundredths of a cent per pound, such as 0.8855 or 88 and 55/100 cents. The minimum fluctuation is 1/100 cent, equivalent to \$5.00 per contract.

Daily limits on price movement.—No limit is imposed on or after the first notice day of the current delivery month. In other months, prices may move no more than 2 cents above or below the lowest price in the closing range of the previous market session.

<i>Item</i>	<i>Contract No. 2</i>
Delivery months	March, May, July, October, December.
Contract grade and staple for delivery	SLM 1-1/16 inch.
Staples deliverable	<ul style="list-style-type: none"> a. 1-1/32 inch and longer. b. 1-1/32 inch cotton will be discounted 125% of the quoted difference between 1-1/32 inch and 1-1/16 inch cotton. c. 1-3/32 inch cotton will qualify for full premium. d. 1-1/8 inch and longer cotton will be deliverable at the same premium as 1-3/32 inch cotton.
Weight allowances	<ul style="list-style-type: none"> a. The deliverer shall make a weight allowance at the average invoice price of one-half pound per bale per month beyond the month of weighing. b. Cotton remaining under certification for a period exceeding 6 months shall carry a penalty as follows: <ul style="list-style-type: none"> (1) 3 lb per bale per month for the 7th through 12th month; and (2) 4 lb per bale per month for the 13th through 18th month; (3) 5 lb per bale per month for the 19th through 24th month; and (4) 6 lb per bale per month for the 25th month and each month thereafter.
Premiums and discounts	The average grade and staple premiums and discounts for tenderable qualities quoted for Greenville, S.C., Greenwood, Miss., Memphis, Tenn., Dallas, Tex., and Phoenix, Ariz., will be used in determining settlement prices.

Delivery points Galveston, Tex., Houston, Tex., New Orleans, La., Memphis, Tenn., Greenville, S.C.

Freight bills Not acceptable except at Memphis on refund value to Group B.

Commissions and margins.—Minimum commission rates for futures trading are no longer fixed but are currently negotiable in accordance with Federal (CFTC) regulations. Minimum margins on trades are set by the New York Cotton Exchange. Information and rates on commissions and margins are available from members of the New York Cotton Exchange.

Grades deliverable:

- (a) Low Middling through Good Middling in white grades.
- (b) Middling Light Spot through Good Middling Light Spot in Light Spotted category.
- (c) No Spotted cotton tenderable.

Micronaire — Cotton must micronaire not less than 3.5 nor more than 4.9 to be tenderable.

Classification and review:

- (a) Original certificated class by The Agricultural Marketing Service (AMS) office at the point of storage.
- (b) Review and micronaire determination by the Grading Section at Memphis, Tennessee.

Price

Price is usually expressed in U.S. cents per pound and is either “fixed” (final) or “on call”. A fixed price is a price where both the basis (premiums and discounts/“on” or “off” the futures month) for a certain quality and the price of the futures month are established. For example:

December N.Y. futures . . .82.50 cents per pound
Basis for a certain quality5.00 cents “on”
Fixed price (final price) . . .87.50 cents per pound

An “On call” price is a price establishing only the basis (premiums or discounts to be deducted from or added to the futures month, as in previous example “500 cent points on December N.Y.”) for a certain grade and staple.

When a sale is made “on call”, the contract (sale confirmation or applicable trade rules) specifies when the price of the futures month must be established. The sale is mostly “buyer’s call,” which means that the buyer sets a time or level when the price of the futures month is to be established or, as said in the trade, fixed. However, the contract frequently

provides for fixing the price before shipment to avoid making provisional invoices and a price adjustment later. Invoicing cotton at a provisional price makes it necessary to watch the fluctuation of the futures month and call for margin payments if the provisional price has been set too low because the futures month price has gone up. This presents problems in countries where exchange controls cannot permit prompt remittance of margins. The buyer can request the seller to transfer the basic futures month to another one instead of fixing the price when due (subject to seller's agreement).

U.S. cotton is exported universal-density compressed. When an exporter has put his compressed cotton shipside, he has to add certain charges depending on the terms of the sale. These may include freight, insurance (ocean and war-risk), sale commissions, bank charges involved in payment, and foreign controlling. Exceptions are that no freight charges are included when the sale is on a c. & i., and f.o.b., or an f.a.s. basis; and no insurance charges are included when the sale is on a c. & f., f.o.b., or f.a.s. basis.

If the sale is made on certified shipping weights, Form A certificate class, or with special marks, or if additional samples are required, or there are any foreign consular fees on the shipping documents, charges must be added for these and for other special requirements.

Terms of Delivery

The delivery terms cover the basis on which the cotton is to be delivered to the foreign buyer or importer. The commonly used terms for cotton are:

1. f.o.b. (free on board) steamer in the United States.;
2. f.a.s. (free alongside steamer) in the United States.;
3. c.i.f. (cost insurance, freight) a foreign port;
4. c. & i. (cost and insurance) a foreign port;
5. c. & f. (cost and freight) a foreign port;
6. ex-warehouse abroad (applicable to cotton already abroad);
7. f.o.b.-stowed (meaning that loading and stowage is normally for the account of the seller (shipper)).

On c.i.f. or c. & i. sales, buyers usually request the exporters to insure the cotton for about 110 percent value to take care of price fluctuations in case the cotton has to be replaced by the buyer.

Cotton exporters usually make a contract with an insurance company to cover their stocks and shipment of cotton. Once a week they usually report to the insurance company the receipts of cotton at the various locations and the shipments to the various

destinations. On c.i.f. and c. & i. sales, they issue insurance certificates on forms furnished them by the insurance company.

Weights

In addition to the above terms, the method of settling the weights is added, i.e., "actual tare, mutual net landed weights, no franchise" or "certified shipping weights," etc. In the case of mutual net landed weights, the weight and the excess tare are established at port of destination by the exporter's and importer's representatives. The exporter appoints a cotton controller to represent him at port of destination at weighing, taring, sampling (also for arbitration purposes if needed), and examining for country damage to cotton, if any. With U.S. certified shipping weights, which are established at port of shipment by U.S. sworn weighers and are final, no claims can be made. Shipments under P.L. 480 programs are all made on U.S. certified shipping weights by sworn weighers.

In cotton sale-price calculations the question of gains and losses in weight must be considered. Generally, these considerations are based on climatic conditions existing in the country of destination at time of arrival and in the United States at time of shipment. Failure to include an allowance for probable losses in weight in the sale-price calculation can be costly to the exporter. On the other hand, gains in weight at destination are also considered. The system of domestic trading was changed from a gross to a net weight basis on March 27, 1970.

Bale Packaging

The change from gross to net weight domestically has had a favorable influence on the packaging of U.S. cotton bales. Changes in bale packaging have in turn affected the systems of transportation, warehousing, and other marketing operations. Net weight trading introduced in 1971 has offered domestic suppliers in the United States an incentive to improve the quality of packaging by using lighter weight, stronger, and more protective types of packaging material, while lowering packaging and baling costs.

Various alternative materials have been tested as substitutes for the traditional heavy jute bagging. Woven polypropylene, polyethylene film, and lighter weight, but stronger jute products have subsequently been approved for wrapping cotton bales. In addition, tying materials such as wire and high tensile steel strapping are replacing the heavier steel bands and buckles, resulting in fewer broken ties. The introduction of new packaging materials has encouraged use

of bags that totally enclose bales, thus leaving no portion of the bale exposed.

It should be recognized that the quality and condition of the U.S. cotton bale package are affected not only by the type of packaging material used, but also by the practice of cutting the bale covering on two sides, often at each step in the marketing chain. As a result, the bale is cut or sampled several times by the time it reaches the foreign market. Solutions to the problem of excessive sampling are being sought by industry and Government.

Beginning in 1979 a considerable reduction in the number of sample holes in bales was realized through programs and systems limiting the number of multiple samplings. One program reduced the number of holes a warehouse may cut when the bale is first received from the producer. The rule limits cuts to only one per side rather than the more common two per side. Systems to automatically extract lint samples during the ginning process are increasing in number as is the practice of cutting samples from bales before the bagging is applied. Such systems and practices often eliminate entirely the need for cutting through the bagging for samples.

All gins are encouraged to maintain bale weights as near 500 pounds as possible. Approximately one-half of the U.S. cotton crop is pressed at the gin into bales with a density of 14 pounds per cubic foot and then transported to a warehouse where the bales are recompressed to a universal density of 28 pounds per cubic foot. As warehouses receive cotton, the bales may be compressed immediately and placed in storage awaiting shipments. More often, however, the bales are first stored and then recompressed later to universal density as bales are loaded for shipment.

Most of the remainder of the crop is compressed at the gin to universal density (28 pounds per cubic foot); therefore no second compression at a warehouse is needed. Gins capable of producing universal density bales are costly but are increasing in number yearly.

Bales destined for export are generally of the two types mentioned above, that is, gin universal density and compress universal density. Although the bale density of 500 pound bales is 28 pounds per cubic foot in both types, dimensions vary between types. Width dimensions are 21 and 25 inches for gin universal and compress universal density bales, respectively, while thickness dimensions are approximately 28 and 22 inches, respectively. Bale lengths are approximately the same.

Destination and Shipment, or Delivery Period

The destination is usually a seaport in the foreign country. Some countries have interior ports such as Dunkirk, France, and Enchede, the Netherlands and in most cases, carry an ocean freight alteration charge.

Sales are made for a specific shipment period from a port in the United States, or for a specific delivery or arrival period in the country of destination.

The shipment period can be immediate (shipment within 7 calendar days), prompt (shipment within 14 days), by a specified steamer, or during a certain month or months. In sales for shipment period, the cotton must be delivered to a steamship company during the period stated, but the steamer need not necessarily sail during that period. If a specific sailing is required, it is so stated in the contract. The term "afloat" means the cotton is on board a ship that has already sailed.

Exporters obtain either an on-board bill of lading or a port or custody bill of lading. Custody bills of lading may require a certain on-board endorsement when the cotton is aboard ship.

In sales for a delivery period in a foreign country, the cotton must be delivered on a certain date or during a certain period in a foreign country, delivery sales — which require correct calculation of the time that it takes a steamer to reach its destination — are not as common as shipment sales. "Arrival" means the period during which the steamer must arrive at its destination.

Freight

The exporter must keep well posted on the freight situation for shipments to the various countries to which he sells. In all large cotton markets, the various steamship companies have offices, or there are freight brokers who supply the exporters with up-to-date information on freight rates and on steamers available for the various destinations.

If an exporter anticipates making a sale for a certain shipping or delivery period, an option for ocean freight is obtained. When the sale is made, then the freight is booked firm. It is then necessary to deliver the cotton to the steamship company at the port of departure during the period for which the freight is booked. If the shipment fails to be made, the exporter could be penalized; however, steamship companies, for the sake of maintaining good rela-

tions with the trade, usually do not penalize an exporter except perhaps during a tight freight situation.

Most cotton exporters sign an agreement with the conference lines in the various areas of the United States, i.e., the gulf, east coast, and west coast conferences. The gulf and east coast conferences usually sign a joint agreement with the exporters. These agreements usually are good for the cotton season. On the other hand, the exporters obligate themselves not to ship on nonconference steamers for the duration of the agreement unless conference steamers are not available at shipping time. Some exporters, however, for various reasons, do not sign the agreements with the conferences.

Shipping in steamship-leased or -owned containers is a popular mode of transportation and has been steadily increasing during the 1970's. The straight container vessels carry up to 2,000 containers each in 20-foot and 40-foot sizes. Another method is "Roll on Roll off" or "RoRo." These are all-purpose ships carrying 20-foot and 40-foot containers on deck: Automobiles in the twin decks and containers on wheels. In the bottom holds are carried large tractors, large glass cases, large lengths of iron and steel, etc. The stern of the ship opens up and cars, tractors, etc., can be rolled into the lower holds. Another important innovation is the shipping of cotton via LASH (lighter loaded aboard ship) and in Seabee barges. Cotton may be loaded either breakbulk into these barges, which may have top coverings or can accommodate cotton in containers. The barges can operate independently of the mother ship in inland waterways and harbors, pushed or pulled by tugboats, both in the United States and some foreign countries. These barges can reach mills on or near canals in many countries.

Intermodal bills of lading are becoming popular, particularly those involving Mini Land Bridge shipments whereby containers are loaded at U.S. ports, transported overland via rail to a port either on the east or west coast and loaded on container vessels to foreign destinations. Additionally, some Micro Bridge services are available whereby cotton is transported either in containers or boxcars from interior origins, particularly Texas, directly to west coast ports for loading to Far Eastern destinations.

Insurance

On c.i.f. or c. & i. sales, the seller covers the marine, war-risk, and country damage while the cotton is in transit to destination. The seller issues an insurance certificate for this coverage, which is one of the shipping documents of a c.i.f. or c. & i. sale. On

c. & f. sales, the buyer covers all the risks. On f.o.b. or f.a.s. steamer sales, the seller's risk ends when he delivers the cotton to a steamship company.

Reimbursement

The most common mode of payment is a letter of credit, preferably a confirmed irrevocable one, opened by the buyers; against this, the seller draws a draft with original documents attached. The documents usually include an invoice, bill of lading, insurance certificate, and weight sheets. Other documents required (depending on the contract or the importing country's regulations) may be quality certificates or green cards, test certificates (Micronaire or Pressley), certificate of origin, or phytosanitary (health) certificate. P.L. 480 or CCC Export Credit Sales regulations, if the cotton is financed under such programs, require additional papers attached to the draft.

The buyer may also pay for the cotton by cable transfer on receipt of a cable from the seller indicating the invoice amount. The documents are then sent by the seller to the buyer by registered airmail or through a bank.

Other forms of payment are cash upon arrival of steamer at port of destination; letter of credit with drafts to be drawn at 30 days, 60 days, etc., sight on a prime U.S. bank; cash on delivery ex-warehouse (mostly from consignment stocks abroad); and cash upon presentation of documents at destination. "Cash" usually means cable transfer. Time drafts are little used now by the exporter and the money is received at once.

Commissions

The rate of commission paid by the seller to agent averages approximately 1 percent for upland cotton or is expressed in U.S. cents per bale. This rate is not stated in the sale contract with the importer but is included in the agency agreement between shipper and agent. Extra-long staple cotton bears a commission higher than 1 percent because sales of such cotton are not as numerous and large as those of upland cotton.

Agents usually, though not always, have offices at a port, where mills are seldom located; therefore, they often employ subagents in the various interior mill districts. The agent pays a part of his commission to the subagent, or the exporter figures it separately. Of course, if an agent can deal by telephone directly with a mill in the interior or visit the mill himself, he need not have a subagent to contact the mill.

Claims

Claims generally involve weight losses or gains and quality allowances. These, unlike fire, theft, loss, and certain damages to the bales while in transit, cannot be covered by insurance. Penalties for late shipments and other forms of noncompliance with contract terms can also be included in the category of claims. Payment for claims are made separately by exporters to the importers, except for gains in weight, which naturally must be paid by importers to exporters. Differences in weight are unavoidable because of different climatic conditions in various parts of the world. Quality claims arise mostly from differences in opinion, though at times they are attributable to selection of cotton for shipment against a specific quality.

The exporter specifies in the sales contract or the invoice the controller he wishes to represent him at port of destination. The controller's responsibility is to be present at weighing, taring, and sampling of the cotton upon arrival. The charges for these services are paid by the exporter, who includes these controlling fees in his sales price.

Other Terms

Various clauses covering features of the sale are inserted in the sale contract. Following are some examples of these clauses:

- "Lighterage if any, at port of discharge for account of buyer."
- "Sellers are not responsible for delays or losses caused by government regulations, strikes, lock-outs, fires, riots, civil commotions, shortage of labor, or other causes beyond their control."
- "In case of impossibility of fulfilling the sale contract on account of any reason of force majeure, this contract shall be regulated by mutual settlement of the resulting difference."
- "This contract is subject to the Special (i.e., Fair Practice) rules of the American Cotton Shippers Association."
- "This contract based on ocean freight \$ per 100 pounds; any change is for buyer's account."

A clause to cover carrying charges in case of delayed shipments is often included. All contract clauses vary among exporters and depend on the country of destination.

The specimen sale confirmation that follows is the one developed by the American Cotton Shippers Association for use by its membership (ACSA Uniform f.o.b./f.a.s. Contract).

UNIFORM FOB CONTRACT
OF THE
AMERICAN COTTON SHIPPERS ASSOCIATION

S E L L E R

Date _____

Contract No. _____

Buyer's Purchase No. _____

1. Buyer:

2. Agent:

3. Quantity: _____ (Tolerance: 3%)

4. Growth:

5. Quality:

6. Micronaire:

7. Price:

8. F.A.S./F.O.B. _____

9. Weights: Mutual landed net weight, no franchise, actual tare, to be supervised by shipper's appointed controller.

Net certified shipping weights final.

10. Shipment: _____

By steamer or steamers, direct or indirect, with or without transshipment.

Custody Bill of Lading allowed.

Partial shipments allowed.

No change in shipment dates can be made without the agreement of the seller.

11. Destination:

12. Carrying Charges: Carrying charges of = _____ points per month based on prime cotton rate plus storage and insurance charges, unless otherwise specified.

13. Marine Insurance: Buyer's insurance and risk to cover from time cotton is water-borne, whether advised or not, including war risk and country damage as defined by Section 8.200 of the ACSA Uniform Rules for the Trade of United States Cotton in International Commerce. (Issuance of a clean bill of lading shall be prima facie evidence that the goods have been delivered in a clean and merchantable condition.)

ACSA UNIFORM FOB CONTRACT (continued)

14. Reimbursement: At sight in U.S. dollars by confirmed irrevocable letter of credit at buyer's expense on a prime U.S. bank or a U.S. branch of a prime foreign bank, to be opened seven (7) days before the first date of each shipment period unless otherwise agreed. Seller shall have at least 30 days after the letter of credit becomes available to them in which to make shipment even if this 30-day period extends beyond the stipulated shipping period.
-
-
-

15. Terms: This contract is subject to the Rules of the _____

and the General Terms on the reverse side of this contract. ¹

16. Arbitration: In the event amicable settlement for quality is impossible, arbitration for quality to be governed by _____

Any irreconcilable dispute concerning contract terms, validity, or alleged default to be referred to Technical Arbitration by the _____ ²

ACCEPTED:

(Signature of Buyer)

(Signature of Seller)

¹ Specify quality arbitration jurisdiction.

² Specify technical arbitration jurisdiction.

GENERAL TERMS

1. This contract is not transferable without the consent of both parties.
2. Duties: Any *export duties* will be for the account of Seller. Any *import duties* will be for the account of buyer.
3. The cotton remains the exclusive property of the sellers, until full payment of the invoice amount has been effected.
4. By signing this contract, buyer represents and agrees that, if the contract covers United States growth, this purchase and subsequent importation is not being made for the purpose of resale or transshipment to any other country or area unfriendly to the U.S.A. or to increase the availability to any other country or area unfriendly to the U.S. Furthermore, buyer understands that (1) U.S. law prohibits disposition to North Korea, Vietnam, Cambodia, Cuba or Southern Rhodesia, unless otherwise authorized by the United States Government, and (2) privileges to receive any United States exports may be denied to anyone participating in a violation of these regulations.
5. Buyer must book and provide freight, notifying seller no later than the beginning of the shipping period, or two weeks prior to shipment, whichever shall occur first, from the port or ports nominated by the seller under this contract. Buyer shall reimburse seller for any carrying charges, warehouse charges, container positioning charges, drayage charges, or any other charges resulting from any delay or from any failure by the buyer to provide freight and advise the seller as provided herein.
6. This contract is subject to the Special Rules of the American Cotton Shippers Association.
7. Force Majeure: Sellers are not liable for temporary delays caused by conditions beyond their control. Buyers agree to extend letters of credit upon request.

Should fulfillment of this contract be rendered impossible in any part and/or in any respect, by reason of acts of God, including but not limited to fires, floods, earthquakes or accidents, acts of war, blockades, embargo, strikes, riots, rebellions or other restraints of rulers or organized acts, or any other emergency beyond the control of the buyer and seller, both parties shall decide by mutual agreement how the contract shall be fulfilled, or cancelled at the market difference. In the event the parties are unable to arrive at a mutually satisfactory agreement, then the matter shall be referred to the Arbitration as per Clause 16 of this Contract which shall be binding and final.

8. This contract can only be changed by mutual agreement of both parties.

Foreign Cotton Arbitration Systems

In case of a dispute between buyer and seller regarding the quality of U.S. and other cotton shipped under a contract, or misunderstandings of contract terms or noncompliance with them, the dispute may be settled through arbitration. This arbitration is carried on through 10 foreign cotton arbitration boards, as follows:

Liverpool Cotton Association, Ltd. (LCA), Liverpool, England

Association Francaise Cotonniere (AFCOT), Le Havre, France

Bremer Baumwollboerse (BBB), Bremen, West Germany

Centro Algodonero Nacional (CAN), Barcelona, Spain

Associazione Cotoniera Italiana (ACI), Milan, Italy
De Vereeniging voor den Katoenhandel (RCA), Rotterdam, Netherlands

Association Cotonniere de Belgique (ACB), Ghent, Belgium

Gdynia Cotton Association (GCA), Gdynia, Poland

East India Cotton Association, Ltd. (EICA), Bombay, India

Japan Cotton Arbitration Institute (JCAI), Osaka, Japan

Arbitration systems and procedures vary among the various arbitration boards. The JCAI, for example, deals only with *quality* arbitration, while the LCA administers both *quality* and *technical* arbitrations. These two distinct categories of arbitration and appeal and the essential “highlights” of the above-listed arbitration boards’ procedures are described as follows (detailed by-laws and rules of each arbitration board can be obtained by writing directly to the cotton association(s) listed above):

Quality Arbitration

The LCA defines this category as those disputes arising only out of the physical assessment of quality but excluding mechanical testing (LCA rule 203).

The American Cotton Shippers Association (ACSA) has a representative on quality appeals stationed in Le Havre; he handles appeals in Le Havre, Milan, Bremen, Ghent, Rotterdam and Barcelona and periodically travels to Liverpool. The ACSA also has a representative in Osaka for quality appeals on shipments of U.S. cotton to Japan, Taiwan, Korea, and the Philippines and other Far Eastern countries.

The largest volume of quality arbitration is carried on in Liverpool and Osaka. Countries like Korea, Taiwan, Indonesia, Malaysia, Thailand, Hong Kong, Singapore and the Philippines use mainly Osaka quality arbitration. Switzerland and Austria use Bremen, Liverpool, Le Havre, Ghent or Milan arbitration. Arbitrators are not salaried in Liverpool, Le Havre, Milan, and Gdynia. Bremen, Osaka, and Bombay have full-time, salaried arbitrators. Appeal board members are not salaried in Liverpool, Bremen, Milan, and Gdynia. Full-time, salaried appeal board members are employed in Le Havre and Bombay. In Le Havre arbitrators and appeal board members are appointed each year by the Board of Directors of AFCOT. In all markets, the arbitrators, or the quality-appeal board members, utilize the Universal Standards for grade and the U.S. Official Standards for staple and/or the private types on hand for reference. In many instances there may be an “amicable settlement” between buyer and seller without reference to a formal arbitration.

Quality arbitrators and appeal boards are not only cognizant of the *quality* and *growth* to be arbitrated, but also the “date of arrival” of the cotton and the relevant terms of the contract. The price of the cotton does not have to be divulged and arbitrators do not know the names of the parties involved except in Liverpool and Milan, where individual arbitrators are appointed by the buyer and the seller. However, if so desired, it is possible under the by-laws and rules of the Liverpool and Italian Cotton Associations, for example, to opt for an “anonymous quality arbitration,” in which case arbitrators will be appointed by the association, which will not be informed of the names of the buyer and the seller, in the same way as in various other markets. Some of the other quality arbitration boards have somewhat similar systems.

Other than Quality Arbitration

The LCA defines “technical arbitration” as all types of commercial disputes including those including micronaire, Pressley, and moisture but not disputes as to “quality,” as defined above. The contract must state to which arbitration board disputes are to be referred for arbitration and whether both “quality” and “other than quality” disputes are to be arbitrated by that board (see also reference to terms and conditions of contract as emphasized in the preceding section on Sales Terms, pages 9-16).

“Technical” disputes often arise because a contract is incomplete or ambiguous and does not clearly define the obligation of each party. Much

trouble and expense can be avoided when firms make sure that their contracts are drawn up in such a way as to avoid misunderstandings. Technical arbitrations are handled by the same boards that handle "quality" arbitrations, but different specialists are involved.

Liverpool

General.—Any buyer and seller of raw cotton may refer a difference or dispute to arbitration in Liverpool provided that:

- (a) the contract clearly states that arbitration regarding "quality" and/or "other than quality" disputes shall be subject to LCA By-Laws and Rules or "Liverpool Arbitration." However, disputes regarding matters other than quality arising out of contracts made under the American Cotton Shippers Association/Japan Cotton Traders Association Standard Terms and Conditions of contracts covering Sales of American Cotton to Japan Agreement are, under the terms and conditions of that Agreement, automatically subject to arbitration in Liverpool;
- (b) at the date of the contract one (or both) of the parties to it is registered as an LCA Registered Firm (By-Law 4 (B), Page 14). LCA Arbitrators are not entitled to act unless they are satisfied that the terms of the contract authorize them to do so, and that at least one party to the contract is registered with the LCA.

Arbitration.—The arbitration is deemed to have started when either party appoints an arbitrator and the other party is given formal notice of the arbitration and the name of the arbitrator appointed.

Arbitrators must be full members of the Liverpool Cotton Association, actively engaged in the cotton trade (Rule 205 (1), page 72d). The Association can provide, upon request, a list of members who are willing to act as arbitrators. If one party refuses or neglects to appoint an arbitrator, the other party may request the President of the LCA to make a "compulsory appointment" (Rule 205 (4), page 73). No member can act as an arbitrator who is in any way connected with, or has an interest in, the contract or is associated with either party to the dispute (Rule 205 (2), page 73).

Umpire.—If the arbitrators cannot agree upon an Award, they are empowered to appoint an umpire, who must also be a member of the LCA and must not have any interest in the dispute or connection with either party. The umpire, when appointed, will then make an award (Rule 205 (1), page 72d).

Arbitrators' and umpires' awards are made on official LCA forms and are not valid or binding unless stamped by the Association on payment of the appropriate stamping fee (Rule 210, page 79).

Appeal.—Parties to arbitrations may appeal against the arbitrators' or umpire's award to the appropriate Appeal Committee. Appeals must be claimed before noon on the third business day following the date of the award or as may otherwise be awarded by the arbitrators or umpire (Rule 208, page 78).

The members of the committee to hear an appeal must be disinterested in the dispute and must not have acted as an arbitrator or umpire (rule 227, page 90).

LCA By-Laws and Rules lay down time limits within which arbitrations for quality must be initiated (Rule 207, page 77), but application may be made for an extension of these time limits in exceptional circumstances (Rule 209, page 78).

Anonymous Quality Arbitration.—Parties to a dispute may apply to the Secretary of the LCA for an "Anonymous Quality Arbitration" to be carried out, in which the names of the parties to the contract will not be made known to the arbitrators (Rule 206, Page 75). Each of the two appointed arbitrators is furnished only with the terms of the contract, the quality (grade, staple, color or private type), growth, micronaire and Pressley requirements (whenever stated) and, as appropriate, the date of arrival or bill of lading date of the vessel on which the cotton was shipped.

All arbitrations are conducted under artificial light.

Fees.—Minimum fees for quality arbitration and appeal are laid down in LCA By-Laws 50 and 51, respectively, and stamping charges in By-Law 61. In the case of quality arbitration, both parties are liable for the appropriate fees and stamping charge. In quality appeal, the appellant pays the fees and, if the other party counter appeals, that party is also liable for fees.

Bombay

Arbitration.—There are six salaried, full-time, sworn surveyors (arbitrators) appointed permanently by the chairman of the East India Cotton Association (EICA), with the concurrence of the Forward Market Commission. The latter is a body formed by the Central Government of India under the Forward Contracts Regulation Act 1952, which is similar to the U.S. Government's Commodity Futures Trading Commission (CFTC).

The surveyors have no current connection with the trade or any members of the trade, but have had long trade experience.

The applicants for arbitration send their samples drawn and sealed by the controllers in Hessian bags to the arbitration room where the clerk in charge receives them and issues a receipt. The superintendent of surveys and appeals, after giving the code number and removing the identification marks, has the samples arranged in papers of 20 samples each and placed before the surveyors.

For description sales the grade standards and the official staple standards are placed before the surveyors when they examine the cotton. Each arbitration is worked by a team of three; two work together on a lot to be arbitrated and the third is called in case of any disagreement. The two examine each bale, first the grade and then the staple. They put aside the bales that are "off," that is, not equal to the quality sold.

The "off" bales are classed against the standards for grade and staple so as to arrive at the arbitration award. The arbitration differences for grade and staple are set by the committee as per By-Law No. 204 of EICA Ltd. The differences are based on the nine U.S. (spot) cotton market differences and the Liverpool and Bremen arbitration differences, which are fixed once at the beginning of the month. Against type sales, outturn samples are compared against the type, which is before the surveyors, and the "off" bales are classed in order to establish the value differences. The EICA compares the shipments against the average of the type. This type is compared with the standards solely for the purpose of establishing differences. The price of the cotton purchased for arbitration or sold is never furnished for arbitration.

Appeals.—Appeals are handled by the other three permanent sworn surveyors who were not used on the arbitration. They follow the same method of examining the cotton as in arbitration. Whenever ACSA selects a representative for the appeal board, the person is added to the three sworn surveyors.

Since no price is ever known to the surveyors, price cannot be considered. In general, it can be said that the EICA arbitration and appeals are based on the Liverpool and Bremen systems.

With regard to the appeal, an excerpt from By-Law 198 of the EICA by-laws is quoted: "In respect to USA and Mexican cottons, an appeal shall lie from the arbitrators' or umpire's award to an Appeal Committee, constituted of three Surveyors appointed under By-Law 35 and a representative nominated by the American Cotton Shippers Association, who is

ordinarily resident in Bombay. If no such nomination is made or the nominee so appointed is not present, then the appeal shall be disposed of by the panel of three surveyors appointed under By-Law 35, provided such appeal is lodged with the secretary before 12:30 p.m. on the seventh day following the date of survey award."

At the present time there is no ACSA representative in Bombay.

Current EICA fees for several of the arbitration and appeal services on foreign cotton follow. Similar services, but not necessarily at the same fees, are also provided on Indian cotton. Other services in addition to those listed are available from EICA.

	For the Up to next 50 the first bales or 50 bales less	
	<i>Fee in Indian rupees</i>	
1. Arbitration as to quality:		
American cotton	400	200
East African and other foreign cottons	300	200
2. Appeals against survey awards:		
American cotton	500	300
East African and other foreign cottons	350	250
3. Survey for country damaged cotton:		
For members	200	150
For nonmembers	300	200
4. Appeals for country damaged cotton:		
For members	250	200
For nonmembers	350	250
5. Classification of grades and staples of American cotton only:	5 rupees per bale subject to mini- mum of 250 rupees	

Bremen

Application Procedure.—The claimant asking for quality arbitration with the Bremen Cotton Exchange (Bremer Baumwollbörse = BBB) must submit to the Secretariat of BBB his application and copy thereof to the counterparty. The formal application shall

show marks, number of bales, full stipulation of contracted quality, name of the vessel/carrier, last day of landing at port/place of destination as well as the address of the counterparty; it is not obligatory to disclose the contract price as far as raw cotton is concerned.

For details of application procedure see Bremen Rule 40.

Samples.—Arbitration samples as well as sales types are to be submitted to the arbitration room, both duly sealed by the counter party. Before evaluation by the arbitrators, the arbitration samples are prepared in an orderly manner and subjected to a conditioning process by exposing them for 24 hours to normal climate, i.e. about 65 percent humidity and about +21°C temperature.

For details of bale sampling procedure see Bremen Rule 6 + 42.

Arbitration.—The procedure is handled in a completely neutral, anonymous way, i.e. the parties involved do not appoint their arbitrators themselves; rather this is done by the Cotton Exchange's authorities because it is considered a matter of legal principle to judge without knowing the parties; an award shall be solely based on the findings of qualified and independent judges.

For details of the arbitration procedure in general see Bremen Rules 43, 44, and 45.

- (a) In the **First Instance** two arbitrators are appointed from a panel of eight long-experienced cotton experts of high personal integrity. All members of this panel have been carefully selected by the Board of Directors and are, in addition, sworn in by the Bremen State Department of Economics. One of the arbitrators is a full-time, salaried cotton classifier of the Association, while the second is to be appointed for each individual case out of the panel of eight and is not full-time salaried.

For details of the arbitration procedure in the first instance see Rule 48.

- (b) The **Appeal Instance** (Second Instance) consists of three arbitrators. They are appointed by the Association's Committee for Appointment of Appeal Judges from another panel of cotton experts, who are equally qualified as described under the First Instance and are also elected by the Board of Directors.

As far as North American cotton is concerned, appeal judges must have, in addition, the approval of the U.S. Department of Agriculture before being permitted to act as an appeal arbitrator; furthermore, in the case

of North American cotton, one member of the appeal board must be an American cotton expert who is recommended by ACSA; his substitute must be approved by ACSA also. The appeal decision is final and incontestable.

- (c) **Umpires.** In case of disagreement among the three appeal judges one arbitrator may apply for **enlargement of the appeal board** up to a team of five arbitrators who must agree on the final award. The two additional umpires are also appointed by the Association's Committee for Nomination of Arbitrators Appeal Judges.

For further details of the appeal procedure see Bremen Rules 51 and 52.

Standards, Value Differences, Allowances.—As a basis for evaluation of a wide range of cotton growths there are available:

- I. Universal Standards for Upland Cotton
- II. Bremen Standards
- III. Standards prepared by governmental agencies in various cotton-growing countries.

All standards are carefully inspected before being adopted as a basis for arbitration and for establishing value differences by the "Committee for Standards and Fixing of the Value Differences" (see Bremen Rule 44);

Value Differences for grade, staple, and color as well as for micronaire readings are established officially by the "Committee for Standards and Fixing of the Value Differences" and usually reviewed every week in order to comply with actual market conditions (see Bremen Rule 43);

Allowances. There is no provision in the Bremen Rules for granting allowances on bales superior to the contracted quality. However, the arbitration board is entitled to compensate — within a limit of 25 percent of the lot — for bales up to half a grade inferior in grade with bales that are correspondingly better in grade, according to rule 46. No compensation is allowed between grade, color, staple, and character. Furthermore there is no compensation allowed in arbitration cases that specify replacement or rejection clauses.

Additional Allowances are provided according to Rule 39.

Fees.—The fees for arbitration and appeals as well as for other services rendered by BBB such as laboratory fiber tests, are paid according to the Tariff table, which is established by the Board of Directors in conformity with Bremen Rules 53 and 54 and periodically revised. Fees are paid by the applicant only. It is up to him to collect them together with the

claim, if any, from the counterparty in conformity with Bremen Rule 54; in this connection, it is important to observe Rule 54 subpara. (1) and (2) referring to cases of noncharging the losing party and/or splitting the fees among the parties involved.

Gdynia

The GDYNIA Cotton Association (GCA) was founded in 1938 as an international corporation on the basis of a resolution of the association's General Assembly. The GCA deals with cotton arbitration not only on cotton imports by Poland, but also on cotton imports by GCA members from Bulgaria, Czechoslovakia, the German Democratic Republic, and other countries that conclude their purchase/sale contracts with the clause "Arbitration in Gdynia."

For all purchase/sale contracts of cotton, cotton waste, and linters, cotton and cotton-like yarn ending with such clauses as "Gdynia Rules" or "Arbitration in Gdynia," the Principles and Regulations, as well as the Rules of the Court of Arbitration, are applicable.

Sampling.—At the request of the buyer or the seller, samples shall be drawn conjointly, with each party bearing its share of sampling expenses. If a representative of either party is not present during the weighing, taring, and sampling within the time fixed thereto at the latest — but before arrival of the commodity at its discharging place — these operations shall be executed by a representative of the counterparty and is binding for both parties.

Unless the conditions of the contract stipulate otherwise, samples weighing one-fourth kilogram shall be drawn from each bale.

When preparing samples for the purpose of quality arbitration, the Court's Secretary shall take all necessary measures to remove any marks by which the arbitrators could identify the parcels concerned and shall order the samples stored under standard climatic conditions for at least 24 hours.

Arbitration Umpire.—The quality arbitration in the first instance shall be accomplished by two arbitrators appointed by the parties from the list of arbitrators. If the arbitrators fail to arrive at a unanimous decision they shall appoint an umpire. Should they disagree on the appointment, the umpire shall be nominated by the association's president or vice president.

Appeal.—Within 14 days after the date of receipt of the arbitration award each party may appeal the award.

Unless otherwise agreed to in the contract, the instance for the appeal against the award obtained in the first instance of quality arbitration shall be the second instance of quality arbitration at the Gdynia Cotton Association. Quality arbitration in the second instance shall be accomplished by an appeal committee consisting of a chairman and two arbitrators. The arbitrators for the appeal committee shall be appointed by the president or vice president of the Association. No person who acted as arbitrator or umpire in the first instance of quality arbitration shall be eligible to take part in the appeal committee. The Court's secretary shall supply the appeal committee with a copy of the arbitration award passed in the first instance but without any identification of the parties in dispute and the cotton.

Allowances.—The grade of the cotton shall be even-running. Only deviations of up to half grade shall be permissible, provided that within the respective lot only 15 percent of the bales of lower grade are compensated by the same number of bales correspondingly better in grade.

Other additional allowances are defined in §§ 40-43, Chapter VI of the GCA Rules.

Micronaire.—If the cotton delivered deviates from the micronaire value specified in the contract, the buyer shall be entitled to an allowance paid by the seller for all deficient bales. The allowance for the deviations from the micronaire value shall be calculated on the basis of the value differences fixed and published by the Association upon agreement with the American Cotton Shippers Association (Agreement signed on December 22, 1965, as amended on September 30, 1968).

Pressley.—The allowance paid for laboratory tests to determine deviations from the Pressley value shall be agreed upon by the parties involved.

The Court of Arbitration — Commercial Arbitration.—The Court of Arbitration is an independent, self-governing body set up at the Gdynia Cotton Association to settle civil-law disputes arising from purchase/sale contracts in international trade and concerning cotton, cotton waste and linters, and cotton and cotton-like yarns.

There are two "instances" in commercial arbitration.

Fees.—According to the provisions of the GCA Rules, the unit for squaring up the amounts due shall be one lot. Whenever the Rules provide for "minimum" dues, same shall refer to a lot of less than 50 bales. The costs incurred by the arbitration procedure shall be borne equally by both parties, in the amounts

and in accordance with the regulations on fees and costs. The amounts of the respective costs are fixed in Part IV of the GCA Rules, pages 63-73.

The foregoing contains only general information concerning the GCA's activities. Details on arbitration proceedings are included in the by-laws and rules of the GCA and are available in the GCA office.

Le Havre

General Provisions.—Any dispute regarding quality, in connection with a contract subject to the "Reglement General du Havre" or subject to "Arbitrage du Havre" shall be settled according to the arbitration procedure determined by the "Reglement des Arbitrages du Havre" (Havre General Rules. Appendix III). Arbitrators who are called upon to settle such dispute shall be appointed by the Secretary of the Chambre Arbitrale (Appendix III — Article 1-A).

Samples.—Samples are sent directly to the Chambre Arbitrale and must weigh at least 150 grams. (Havre General Rules. Article 13A).

Arbitration and Appeal.—Disputes shall be submitted, in the first instance, to an arbitration committee. The decision of said committee may be referred to an "appeal committee," the decision of the latter to be final. Each arbitration committee and each appeal committee shall be composed of two arbitrators. Arbitration is "blind." The arbitrators are to know only the description or type and growth. They class without any reference to the value. Arbitrators appointed by the secretary have no connections with and no interests in the dispute.

Allowances.—Allowances are calculated, according to the results of the arbitration, on the basis of the differences in force at the moment of delivery of the cotton under dispute (Havre General Rules. Articles 13 and 14).

Fees.—Arbitration fees shall be borne half by the seller and half by the buyer regardless of the result of the arbitration. Appeal fees shall be borne by the applicant ("Reglement des Arbitrages du Havre," Articles 5 and 6).

Micronaire and Pressley.—Micronaire arbitration can be held in accordance with the agreement between ACSA and AFCOT. Micronaire measurements are conducted in the recognized laboratory. Pressley cannot be arbitrated, but the same laboratory is able to give Pressley measurements to any parties on request. ("Havre General Rules," Appendix IV).

Milan

Arbitration Chamber.—The Associazione Cotoniera Italiana (Italian Cotton Association), Milan, in 1925

established an Arbitration Chamber for raw cotton (Camera Arbitrale Cotoni Sodi) as a permanent service of its organization. The Board of the Arbitration Chamber is composed of six members of the spinners' section and six members of the raw cotton section, representing, respectively, the buyers and sellers.

The general terms governing the purchase and sale of raw cotton are subject to the "By-Laws and Rules of the Arbitration Chamber." Abbreviated clauses, such as "Milan Contract," "Milan Terms and Arbitration," and "Milan Arbitration," refer contracting parties to the rules indicated above. Also, contracts of purchase and sale of raw cotton not specifically mentioning the aforesaid clauses shall be governed by the Rules as a guide to the customary practices ruling the cotton trade.

Quality Arbitration.—Quality arbitration is applied to all disputes concerning quality; it consists of three grades of arbitration; first instance, appeal, and super-appeal.

Controversy on quality does not give the buyer the right to reject the cotton; in any case, the buyer must take delivery. The buyer may claim an allowance which, if not mutually agreed upon by the parties, has to be fixed by arbitration.

Application for quality arbitration shall be filed with the arbitration chamber within 30 business days:

- (a) From the last landing day at the port of destination when cotton is sold for shipment or afloat;
- (b) From the day of tender, when the cotton is sold on the spot or for delivery in Italy at a specific date.

All arbitrations for quality shall be held in the rooms maintained for this purpose by the Arbitration Chamber. The Board of the Arbitration Chamber issues and keeps up to date one single official list of arbitrators chosen among the members of the Associazione Cotoniera Italiana who, in the judgment of the board, possess the necessary competence, experience, and commercial morality. For the first instance, the arbitration award shall be fixed by three arbitrators, chosen from the single official list and appointed according to one of the following procedures:

- (a) Each party appoints his arbitrator while the third is appointed by the Chairman of the Arbitration Chamber. Should one of the parties fail to appoint his arbitrator within 10 business days, this arbitrator, at the request of the more diligent party, shall be appointed by the Chairman of the Arbitration Chamber.

The third arbitrator must not know the name of the interested parties or any other element suitable to identify such parties.

- (b) The three arbitrators are appointed by the Chairman of the Arbitration Chamber and they must not know the name of the parties or any other element suitable to identify such parties.

If the parties have not asked by mutual agreement for the procedure under paragraph (b), or should no agreement be reached, the procedure under paragraph (a) shall be adopted.

The party wishing to appeal shall file the request with the Arbitration Chamber within 8 business days from the date of the issuance of the first instance award.

For the appeal, the three arbitrators, chosen from the single official list shall be appointed by the Chairman of the Arbitration Chamber. The appeal arbitrators may be acquainted with the decision of the first instance, but they must not know the names of the parties in dispute nor any particular allowing identification of such parties.

Whenever the difference between the first instance arbitration and that of appeal exceeds altogether 50 percent in value of the first instance, the parties have the right to request a super-appeal. The same rules governing the appeal shall be applied for the super-appeal, and the award is final. The super-appeal arbitrators may be acquainted with the two previous awards, but they too must not know the names of the parties in dispute and any particular allowing their identification.

Allowances.—In order to determine whether an allowance is due the buyer and to what extent, the arbitrators shall class the arbitration samples, comparing them with the official standards and/or with the selling type or sample, and establish any difference.

Allowances shall be established on the basis of the differences in value between the respective qualities, in force in the Milan market on the last landing day, whenever the cotton was sold for shipment or the day of tender, whenever the cotton was sold from the spot in Italy.

Allowances shall be computed on the net landing or delivery weight.

For the determination of allowances:

- (a) The value of half a grade or half a staple length shall be measured by the following terms: “to,” “plus,” or by indicating two successive grades or two successive staple lengths;

- (b) The value of plus one-quarter of a grade, or plus one-quarter of a staple length shall be attributed to the terms “bright” and “fully.”

- (c) The value of minus one-quarter of a grade or minus one-quarter of a staple length shall be attributed to the terms “barely” and “shy.”

The arbitrators shall also take into account any clause in the contract concerning quality, such as “good character,” “strong staple,” and other similar expressions.

In the event that more than 10 percent of the bales of a lot are found deficient by more than one grade, or by 1/16 inch staple or more, the relative allowance shall be increased by 100 percent. Also if only 10 percent or less of the bales in the lot are found deficient by two grades or more, or by 3/32 inch staple or more, the relative allowance shall be increased by 100 percent.

In the event that more than 50 percent of the bales in a lot are found deficient by one-and-a-half grades or more, or by 3/32 inch staple or more, the allowance relating to the said bales shall be increased by 150 percent.

The above penalties shall also apply to color deficiencies and, only to this effect, the following equivalences shall be considered:

- Very light spotted = half grade
- Light spotted = one grade
- Spotted = two grades
- Gray = three grades
- Tinged = four grades

In the assessment of penalties, the allowances awarded separately for grade and for staple shall not be cumulated.

Samples for Arbitration.—Sampling to be valid for arbitration purpose shall be made bale by bale on delivery of the cotton, after weighing, in the presence of representatives of both parties. The arbitration samples, drawn and packed as above shall be delivered to the Arbitration Chamber within 20 calendar days from the date of application. In cases of delays caused by recognized force majeure, the Executive Committee of the Arbitration Chamber may grant an extension of the time limit set above.

The Secretary of the Arbitration Chamber shall ascertain that the seals of the seller's controller on the packages and the packing material are both in order; moreover he shall ascertain that the identification details of the lot are in accordance with those on the application for arbitration. Thereafter he shall proceed to the opening of the packages containing the samples at least 24 hours before the arbitration

takes place. The samples shall promptly be laid in suitable boxes and shall remain in a room where temperature and humidity are maintained at proper degrees.

After first-instance arbitration, the Secretary of the Arbitration Chamber shall seal the arbitration samples and any selling type or sample, for "appeal" or "super-appeal."

The arbitration samples, after the final arbitration, shall be sacked in bulk and kept at the disposal of the party who delivered them.

The Executive Committee, upon explicit request of both the parties and only on valid grounds, may order that the arbitration samples be made up again, sealed, and given back.

Arbitration Fees.—Quality arbitration fees are to be paid as follows:

● **First instance.**—To be paid by each party:

American cotton and other growths, for which the sampling is made bale by bale:

Lit 300 (Italian Lire) for each bale constituting the lot (for lots of 50 bales or less, the minimum charge is Lit 15,000)

● **Appeal and super-appeal.**—To be paid wholly by the appellant:

American cotton and other growths, for which the sampling is made bale by bale:

Lit 600 for each bale constituting the lot (for lot of 50 bales or less: minimum charge Lit 30,000)

Micronaire arbitration.—Whenever the contracting parties agree upon minimum and/or maximum micronaire readings, the cotton may be submitted to arbitration.

Arbitration samples must be drawn and packed as specified by quality arbitration.

Micronaire readings shall be effected on each bale composing the lot. The Secretary of the Arbitration Chamber shall arrange to draw two small samples for testing from each arbitration sample. The average of these two tests will be the value of the bale. The lots arbitrated for micronaire cannot be penalized for character in quality arbitrations. The Arbitration on micronaire readings shall be handled by the Laboratory of the Arbitration Chamber of the Associazione Cotoniera Italiana, in accordance with the methods prescribed by the International Standards Organization (ISO). Either party may ask that appeal be held at another laboratory to be named by the Board of the Arbitration Chamber.

Unless otherwise and specifically stipulated in the contract, a deviation of plus or minus 0.3 from the stipulated micronaire value shall be allowed as control

limit. Such control limit shall be taken into account in assessing allowances. Allowances shall be assessed on the basis of the differences in force for micronaire in the Milan market on the last landing day, when cotton was sold for shipment, or on the day of tender, when the cotton was sold from the spot in Italy. Allowances shall be computed on the net landing or delivery weight, at the final invoice value. Arbitration fees for micronaire readings shall be determined by the Board of the Arbitration Chamber and shall be borne by the parties as follows:

- (a) The seller shall pay arbitration fees on bales outside the control limit and penalized;
- (b) The buyer shall pay the arbitration fees on nonpenalized bales within the control limit;
- (c) If 50 percent or more of the bales of the lot should be outside the control limit, the seller shall pay all charges;
- (d) Appeal fees shall be borne by the party requesting the appeal.

Value Differences for Quality and Micronaire.—The appropriate Commission, named by the Board of the Arbitration Chamber, is charged with determining each month the value of differences for quality and for micronaire readings. The Commission is composed of five members of the spinner's section and five members of the raw cotton section representing, respectively, buyers and sellers.

Osaka

Most exports of American cotton to Far Eastern countries are made under ACSA/JCTA⁴ Agreements. In that case, all arbitrations in Osaka on American cotton for **quality**, unless otherwise agreed on between contracting parties, are subject to the rules of the Japan Cotton Arbitration Institute (JCAI)⁵ and the ACSA/JCTA Agreements. In case there are any stipulations contradictory to each other between the JCAI rules and the ACSA/JCTA Agreements, the provisions of the agreement control (JCAI Rule 1, AA Rule 1) apply.⁶

In Osaka the standard "two-court" arbitration system is used; that is to say, there is an initial

⁴ ACSA/JCTA (Japan Cotton Trader's Association) Agreements: This is the generic name of the rules applicable to sales of American cotton between JCTA members and ACSA members. These rules are also generally used for cotton trades in Far Eastern countries.

⁵ JCAI Rule = Arbitration Rules of the Japan Cotton Arbitration Institute.

⁶ AA = Arbitration Agreement, namely, "agreement for quality arbitration on American Cotton between ACSA and JCTA."

arbitration, and it is subject to appeal by either party (AA Rule 2).⁶

Arbitration.—Four qualified Japanese classers, divided into two-man classing teams, conduct the initial arbitration. In addition, there is a panel of qualified reserve classers, mutually acceptable to JCAI, USDA, and ACSA. In case of need, one or two more classing teams may be selected from this panel to serve on initial arbitrations (AA Rule 3,⁶ Universal Cotton Standard Agreement Rule X).

Appeal.—Appeals, when requested, are conducted by one two-man classing team, composed of one Japanese classer and one American classer nominated by the American Cotton Shippers Association (ACSA). These two men serve only on appeals, never on initial arbitrations. Both must be approved by the USDA so as to be constituted as cotton examiners for the USDA on appeals (AA Rule 4).⁶

Umpire.—If any two-man arbitration team or two-man appeal team cannot reach a decision on some particular lot (or lots), an umpire is called to help settle the matter. The majority decision then will prevail (AA Rule 6).

Fees.—Fees for arbitration are 75 U.S. cents per bale, to be shared equally by buyer and seller. Appeal fees are U.S. \$1.05 per bale, for appellant's account (AA Rule 11).

Samples.—Costs of samples and sampling are at the buyer's expense, and it is the buyer's responsibility to provide the 100 percent samples for arbitrations (AA Rule 9). Samples must be drawn from both sides of each bale in the presence of the seller's representative before cotton is removed from wharf warehouse within 30 days after completion of assortment, and the samples must be adequately sealed by the parties concerned. The time limit for submitting application is 30 days after last day of landing (GC Rule 8).⁷

Samples are aired in the arbitration room for 24 hours and put in trays, usually of 25 bales. Both arbitrators class the cotton together for quality. The arbitrators are to know only description or type and growth of cotton involved and only when signing copies of the award should they know any other details. Micronaire arbitrations can be held in accordance with an agreement between JCTA and ACSA as amended November 10, 1965.

Pressley is not arbitrated but a laboratory is available at JCAI for giving Pressley measurements to any parties on request.

⁷GC = General Contract, namely, "the Standard Terms and Conditions of contracts covering Sales of American Cotton to Japan."

On description sales, the arbitrators have the grade standard boxes and the U.S. official staple types before them. On type sale, they likewise have the type before them.

The arbitrators record the "off" bales in terms of fractions of grade "off" (i.e. 1/4, 1/2, 3/4, etc., grade off) the description sold, not in terms of cent points.

For "colored" cotton (light spotted, stained, tinged) sales, they record the grade description, for example, five bales middling spotted, five bales strict middling light spotted, etc., to establish the value.

In all type arbitrations, direct comparisons are made between shipping samples and the type. In other words, the arbitrators class "type" sales against the type itself and not the value. (The value is to establish differences only.)

Arbitrations are held in Osaka not only on cotton shipped to Japan but also on shipments to other Far East destinations such as Taiwan, Korea, The Philippines, and other Far Eastern countries.

In all cases, the difference on the day before the last landing date applies [JCAI Rule 13 (1)].⁵

Allowances.—The seller is not entitled to any allowance for bales superior in grade or staple to the quality stipulated in the contract, but within the limit of 10 percent of the lot, bales half a grade "off" are compensated by bales half a grade "up" (AA Rule 13).⁶

Whenever any lot arbitrated is shown to be more than one grade "off" to an extent exceeding 10 percent of the bales in the lot, the seller pays the buyer a penalty equal to the arbitration allowance for grade on that portion of the lot that is more than one grade "off" (AA Rule 14).⁶

Should more than 10 percent of any lot be more than 1/16 inch off in staple, the seller pays the buyer a penalty equal to the arbitration allowance for staple on that portion of the lot that is more than 1/16 inch "off" (AA Rule 14).⁶

ACSA Memphis Review.—ACSA-member shippers have the right to have 100-percent appeal samples returned to Memphis for review classification at their own expense if requests for such returns are submitted to JCAI in writing by shippers or designated agents within 10 days after date appeal is held. Such review classification is for reference only and shall have no bearing on the appeal award (AA Rule 15).⁶

Other.—ACSA/JCTA Agreements provide that disputes for all matters other than quality and micronaire shall be referred to the Liverpool Cotton Association for technical arbitration (GC Rule 20).⁷

Cotton-Buying Practices in Foreign Countries

The buying practices here outlined apply to cotton exported by the United States and by foreign countries. In general the countries listed are limited to those that are either recent, or potentially important, purchasers of U.S. cotton.

Western Hemisphere

Canada.—Mills buy U.S. cotton directly from U.S. exporters. The large Canadian mills have their own buying offices in the United States.

Central and South America.—Most of the countries in this region are either self-sufficient cotton producers or import relatively small quantities of short and/or long staple cottons, usually from neighboring countries.

Western Europe

Austria.—The cotton business is split between Vienna and Dornbirn (Vorarlberg), both mill centers. Cotton is sold through local agents of cotton exporters, or local agents, of Bremen, Rotterdam, Le Havre, Hamburg, and Milan merchants. Agents in Switzerland also handle some business, particularly with mills in Vorarlberg since this Providence borders Switzerland.

Belgium.—Practically all sales of cotton to mills are made by agents located in Ghent and Antwerp; these agents represent cotton exporters. A few agents deal as merchants, who also sell outside Belgium. In addition, some agents-merchants also purchase raw cotton from merchants in neighboring countries.

Denmark.—Cotton exporters have agents in Copenhagen who sell to the mill; there are no cotton merchants. Some business may also be concluded directly between the mill and exporters.

Finland.—Cotton is sold to mills through agents of the exporters. Some Swedish agents also do business in Finland.

France.—Cotton is sold to mills partly through agents and partly through merchants. These agents and merchants in turn have sub-agents in mill centers. France's three cotton ports are Le Havre, Dunkirk, and Marseilles, the first two being the most important.

West Germany.—The U.S. cotton business is concentrated in Bremen, where most U.S. cotton exporters have their connections. Almost all Bremen cotton merchants are located in the Bremen cotton exchange (Bremer Baumwollboerse) which, however, no longer functions as a true exchange. A few cotton merchants are also located in Hamburg, although most of them concentrate on other than U.S. growths. Most Bremen

and Hamburg cotton merchants, who also supply cotton to mills in neighboring west European countries, are also represented in the mill districts, such as western Lower Saxony, North Rhine; Westfalia, Baden; Wuerttemberg, and Bavaria. Although some large German mills buy small lots of cotton directly, most of the business, especially in U.S. cotton, is handled through Bremen merchants.

Greece.—U.S. cotton is sold to mills or cotton merchants through agents of exporters. Although Greek cotton production has increased during recent years, the growth in exports of cotton goods, particularly yarns, requires cotton imports to cover industry requirements. In addition, bilateral trade agreement between Greece and certain Eastern Bloc countries obligates Greece to export raw cotton. This fact also strengthens demand for imports.

Ireland.—Cotton is purchased by mills primarily through Liverpool firms.

Italy.—Mills buy imported cotton through non-exclusive Italian import agents or locally appointed agents of international cotton merchants. There are no Italian cotton merchants who import cotton for their own account.

Netherlands.—Most of the cotton is sold by agents of cotton exporters in Enschede or Rotterdam, principally in Enschede, which is located in the heart of the Dutch mill center. In Rotterdam there are some cotton merchants who may also do business outside the Netherlands.

Norway.—All the cotton is sold directly to mills by exporters or through agents of cotton exporters in Oslo or Bergen. Norway has no cotton merchants.

Portugal.—Mills buy cotton through merchants, by direct mill purchases through subsidiary firms licensed as cotton merchants, and through commission agents, most of whom are located in Oporto, the principal mill district. It is generally believed that 80-85 percent of cotton imports are made by merchants or mill subsidiaries, and that the balance is handled through commission agents. However, the amount of cotton handled as commission sales by the merchants is not known. Practically all of the direct, mill buying firms are members of the Associacao Portuguesa dos Importadores de Algodao em Rama (an association of Portuguese cotton merchants).

Spain.—Most imported cotton is bought by Spanish cotton merchants, located in Barcelona. These merchants are exclusive representatives of the large international shippers and merchandise the cotton directly to textile mills. Normal terms of sale are cash against documents. The majority of import sales are made on either c.i.f. or c. & f. terms. Spain

meets a portion of its cotton needs from its own production.

Sweden.—Cotton is sold to mills through agents of the exporters. There are five agents of whom four are located in Gothenberg.

Switzerland.—Cotton is sold to mills through agents of cotton exporters and local merchants. The cotton business is concentrated in Zurich. There are international cotton merchants in Geneva and Lausanne, who use Zurich agents when selling to Swiss mills, all located in the Zurich area.

United Kingdom.—The first recorded cotton auction took place in 1757, at Liverpool, now an international cotton market. Some U.S. exporters have agents while other have direct connections with Liverpool and Manchester merchants and some with mills. Smaller consumption of cotton has affected the British cotton trade; however, trading activities in Liverpool have continued to expand and has now become an international market with merchants supplying cotton to mills throughout the world, particularly in Europe and the Far East.

Centrally Planned Economies (CPE)

U.S. cotton can be exported to most countries in the so-called centrally planned economies without restriction. Exceptions are North Korea, Vietnam, Cambodia, and Cuba, where exports require a validated export license from the Office of Export Control, U.S. Department of Commerce.

The names and addresses of the state trading organizations in CPE countries that purchase cotton are as follows:

China: China National Textiles Import and Export Corp.
(CHINATEX)
82 Donganmen Street
Beijing, People's Republic of China
Telex: 22280 CNTEX CN
Telephone: 554 587

German Democratic Republic: Textilvertretungen GMBH, 1185 Berlin, Neue Wiesenstrasse (Gruenau).

Hungary: Importtex, Bajscy-Zsilinszky UT16, P.O.B. 361, Budapest 5

Poland: Textilimpex, Lodz 22, Lipca 2

Romania: Romanoexport, 17-19 Doamnei St, P.O.B. 594

Yugoslavia:

CENTROTEXTIL, Export-Import, Kneza Mihajlova 1-3
11000 Belgrade

GENERALEXPORT, International Trade Co.
Djure Djukovica
11000 Belgrade

JUGOEXPORT, Export-Import
Kolarceva 1
11000 Belgrade

JUGOTEKSTIL
Titova 3
61000 Ljubljana

TEXTIL, Import-Export
Sostariceva 10
41000 Zagreb

MAKOTEX, Export-Import
Marsal Tito 9
91000 Skopje

INTEX, Union of Cotton Industry
11 Oktomvri — Kula 14
91000 Skopje

China.—CHINATEX typically buys cotton by telephone. Officials of the Cotton Section, Import Department, make regular visits to the United States, and a representative of the organization is stationed in Washington, DC with the Chinese Embassy. Exporters of U.S. cotton wishing to visit China could contact CHINATEX for visa assistance. China's purchases of U.S. cotton have typically been on description f.a.s. vessel or c. & f. CHINATEX officials have expressed an interest in trial lots on Universal Standards. CHINATEX has reportedly not utilized futures market facilities, but have contracted well forward on occasion.

Import targets are drawn up by the Textile Ministry. These plans are not rigid and are reassessed as the year progresses. These assessments may be influenced by price, domestic production outlook, and textile and apparel export order books.

Information on domestic production is available to Chinese officials for sown area (May 30); pre-harvest yield estimates (September 15); and production (November 30). The final production estimate is compiled on April 20 of the following year. Production estimates may be released to the public in December or later. A nonqualified assessment may be made public as early as September. Cotton is inspected upon arrival in China by the Third Department, Commodity Inspection Bureau, Ministry of Foreign Trade. The standard Chinese contract provides for arbitration at the defendant's location but does not provide for appeal.

German Democratic Republic, Hungary, and Romania.—These countries formerly had agents of cotton exporters and subagents of merchant firms located in Bremen, Hamburg, Rotterdam, Le Havre, Liverpool, Milan and elsewhere. Now cotton is bought through government organizations.

Poland.—Exporters offer cotton direct to a central Government buying organization, "TEXTILIMPEX" in Lodz. Poland has no cotton agents or merchants. "TEXTILIMPEX" has purchased cotton by cable and by sending its representatives to the United States to purchase and assess cotton quality personally.

Yugoslavia.—Raw cotton imports are no longer determined and regulated by the Federal Directorate for Raw Material Reserves. This office is now responsible only for maintaining the country's cotton reserves. Each cotton mill determines its own cotton needs and selects a Yugoslav trading firm to do the actual importing. However, general Government policy continues to favor the purchase of raw cotton from the USSR and the developing countries.

Asia and Oceania

Bangladesh.—All cotton is purchased through Government tenders.

Hong Kong.—Cotton imports have been liberalized, i.e. no duties, licensing or other nontariff barriers are imposed. Cotton is normally sold to mills through agents of cotton exporters although some mills buy directly from exporters. Cotton futures trading opened on the Hong Kong commodities exchange in November 1979. Contract terms are based on New York No. 1 Contract for Strict Low Middling 1-inch staple with delivery point at Galveston. Trading is conducted in lots of 50,000 pounds. Hong Kong merchants re-export comparatively small quantities of cotton, mostly of U.S. origin, primarily to Far Eastern and Southeast Asian destinations. Generally, re-exports are handled by large trading firms that have taken delivery on a speculative basis.

India.—Substantial quantities of cotton are domestically produced and exported. Any imported cotton is procured by the Cotton Corp. of India, a Government organization.

Indonesia.—The textile industry is divided into two sectors: the Government or "Sandang" mills; and private mills with about 25 and 75 spindleage shares, respectively. All cotton must be sold by shippers through Indonesian agents. Government mills normally buy under tenders issued in Indonesia. Private mills follow normal commercial practices.

Most buying is by type. No tight Government import controls are in use.

Japan.—Cotton exporters sell cotton to Japanese merchants directly or through their agents in Osaka. These merchants in turn sell to mills. No agents deal directly with mills. Several of the large Japanese merchant firms have branches or affiliates in the United States that buy cotton directly from farmers, gins, and U.S. merchants like any U.S. cotton exporter. This situation reduced the volume sold by Japan based agents of U.S. exporters.

Korea.—Very little cotton is produced domestically, and all of this is consumed at the village level. Therefore, all cotton requirements for mill use are imported, with the United States the largest supplier. Korea has been purchasing a major portion of its imported cotton from the United States, because of financing arrangements that have been made available, and long-term trade relationships with U.S. cotton exporters. Mills buy cotton mainly through agents of exporters.

Malaysia.—Cotton spinning mills primarily are concentrated in three areas: Johore in the southernmost part of the peninsula, the Penang/Butterworth area in the north, and in the State of Perak. Most of the cotton is purchased through agents in Singapore. Since several of the spinners are affiliated with Hong Kong firms, some cotton is purchased through Hong Kong. A small amount is bought through Malaysian-based brokers.

The ASEAN⁸ Federation of Textile Industries (AFTEX) probably will play a more important role in regional cotton trade in the future. Some of the areas being explored by AFTEX include: Establishment of a data bank; formulation of internationally acceptable ASEAN standards; initiation of an ASEAN training, research, and development center; the organization of a spinners working group to discuss problems and arbitration involved in cotton purchasing; expansion of intra-ASEAN trade in raw materials; and collective attempts to reduce freight rates from shipping conferences.

The Philippines.—Cotton is sold to mills through agents of cotton exporters. Only one mill continues to buy cotton directly from U.S. cotton shippers. Domestic cotton production is small and is not expected to displace the consumption of U.S. and other imported cottons in the foreseeable future.

Singapore.—The bulk of the spinners' purchases is through local traders and/or brokers.

⁸ Association of South East Asian Nations.

Taiwan.—More than 100 mills purchase cotton from about 60 agents of cotton exporters. Each agent is required by law to belong to the Taiwan Cotton Traders Association (TCTA) and is subject to its by-laws and trading rules. Noncompliance may result in expulsion from TCTA and consequent loss of trading privileges. Likewise, all cotton spinners must be members of the Taiwan Cotton Spinners Association (TCSA), which represents the interest of the spinning industry in trade matters with the Government. The TCSA represents its members during trade missions as well as in signing occasional Government-encouraged purchase agreements with foreign cotton suppliers. The government has provided spinners with annual, special, low-interest loans through the Bank of Taiwan for cotton purchases.

Thailand.—U.S. cotton is generally bought through agents of U.S. exporters in Bangkok or Hong Kong, although at least one textile group also buys direct. Thailand is trying to step up domestic production, which satisfies about 30 percent of textile industry requirements.

Africa

Egypt.—American upland cotton is purchased through Government tender notices issued on behalf of Egypt's domestic mills. Offers can be submitted through any of the public-sector exporting firms, the Alexandria Cotton Exporters Association, or hand-carried to the Government cotton commissioner's office.

Morocco.—Cotton is bought mainly by private Moroccan importers and brokers. The United States has traditionally been the largest supplier to the market.

South Africa.—Purchases of U.S. cotton are made mainly through local agents representing U.S. cotton exporters, although some mills buy direct.

Tunisia.—Cotton imports have increased steadily in recent years, but are still relatively small. The textile associations issue tenders under Government aegis for imports of cotton and other fibers.

Zaire.—All P.L. 480 Title I cotton, and sometimes small commercial quantities, are imported by the Caisse de Stabilisation Cotonniere (CSC or Cotton Board), a Government organization that controls cotton marketing in Zaire.

Handling of Cotton Abroad

Cotton imported on a c.i.f. or c. & f. basis by an agent of an exporter is delivered to the buyer at the port. The buyer is either a cotton import merchant or a mill. If the buyer is a mill, the cotton is most likely shipped immediately to the mill warehouse. If the buyer is a merchant, the cotton is either delivered to a mill buyer at the port or shipped to a warehouse at the port for storage. If shipments against a c.i.f. sale are made "guaranteed through" — i.e., with weights, tare, and quality guaranteed — the weight and tare are established on arrival at the port and the quality is checked by the buyer from samples taken at the port. When buyers, principally mills, buy f.o.b. at the port, the agent of the exporter arranges to load the cotton in cars or trucks. Consignments are sold either ex-warehouse or f.o.b. warehouse.

Cotton merchants or importers abroad engage in many of the same activities and have many of the same problems as U.S. cotton exporters. They have to take care of hedging, insuring, financing, storing, and shipping.

APPENDIX

Cotton Standards		Inches	Code No.
Official Cotton Standards of the United States for		1-7/32	39
Length of Staple		1-1/4	40
(All American cottons)		*1-9/32	41
		1-5/16 (physical types for American Pima only)	42
		*1-11/32	43
		1-3/8 (physical types for American Pima only)	44
		*1-13/32	45
		1-7/16 (physical types for American Pima only)	46
		*1-15/32	47
		1-1/2 (physical types for American Pima only)	48
Inches	Code No.		
*Below 13/16	24		
13/16	26		
7/8	28		
29/32	29		
15/16	30		
31/32	31		
1	32		
1-1/32	33		
1-1/16	34		
1-3/32	35		
1-1/8	36		
1-5/32	37		
1-3/16	38		

NOTE: Standards marked with an asterisk (*) are descriptive.
The others are represented in physical form.

Official Cotton Standards of the United States for the Grade of American Upland Cotton- Universal Standards

	Code No.		Code No.
White Cotton		Light Spotted Cotton	
Good Middling	11	*Good Middling Light Spotted	12
Strict Middling	21	*Strict Middling Light Spotted	22
*Middling Plus	30	*Middling Light Spotted	32
Middling	31	*Strict Low Middling Light Spotted	42
*Strict Low Middling Plus	40	*Low Middling Light Spotted	52
Strict Low Middling	41	Light Gray Cotton	
*Low Middling Plus	50	*Good Middling Light Gray	16
Low Middling	51	*Strict Middling Light Gray	26
*Strict Good Ordinary Plus	60	*Middling Light Gray	36
Strict Good Ordinary	61	*Strict Low Middling Light Gray	46
*Good Ordinary Plus	70	Gray Cotton	
Good Ordinary	71	*Good Middling Gray	17
Spotted Cotton		*Strict Middling Gray	27
*Good Middling Spotted	13	*Middling Gray	37
Strict Middling Spotted	23	*Strict Low Middling Gray	47
Middling Spotted	33	Yellow Stained Cotton	
Strict Low Middling Spotted	43	*Strict Middling Yellow Stained	25
Low Middling Spotted	53	*Middling Yellow Stained	35
Tinged Cotton		Below Grade Cotton	
*Strict Middling Tinged	24	*Below Grade Cotton	81-87
Middling Tinged	34		
Strict Low Middling Tinged	44		
Low Middling Tinged	54		

NOTE: Standards marked with an asterisk (*) are descriptive.
The others are represented in physical form.

**Official Cotton Standards of the United States for the
Grade of American Pima Cotton**

Grade No. 1	Grade No. 6
Grade No. 2	Grade No. 7
Grade No. 3	Grade No. 8
Grade No. 4	Grade No. 9
Grade No. 5	*Grade No. 10

Note: Standard marked with an asterisk (*) is descriptive.
Others are represented in physical form.

Inter- National Calibration Cotton Standards	Description	International Calibration Cotton Standards				
		Approximate Test Value ¹				
		Micronaire Reading	Pressley "O" Gauge			Fibrograph Length
			Ratio	Grams/Tex	MPSI	
A	American Upland	5.5	7.4 to 8.3	40 to 45	80 to 90	1.00 - 1.14
B	American Upland	4.5	Below 7.4	Below 40	Below 80	1.00 - 1.14
C	American Upland	3.5	Above 8.3	Above 45	Above 90	1.15 - 1.29
D	Egyptian	4.0	Above 8.3	Above 45	Above 90	Above 1.29
E	American Pima	3.0	Above 8.3	Above 45	Above 90	Above 1.29
F	Asiatic	7.0	Below 7.4	Below 40	Below 80	Below 1.00
G	American Upland	2.6	Below 7.4	Below 40	Below 80	1.00 - 1.14
H	American Upland	6.0	7.4 to 8.3	40 to 45	80 to 90	1.00 - 1.14
I	American Upland	5.0	7.4 to 8.3	40 to 45	80 to 90	1.00 - 1.14
K	Asiatic	7.5	Below 7.4	Below 40	Below 80	Below 1.00

¹Exact test values for each calibration cotton are shown on the label of each sample including uniformity, which is not listed above. These values are established by the designated laboratories for each replacement bale.

Table 1. WORLD'S COTTON SPINDLES, 1969 AND 1978
(1,000 spindles in place on December 31)

Country	1969	1978
North America:		
Canada	795	778
Cuba	227	300
El Salvador	125	201
Mexico	2,325	2,826
United States	20,133	17,747
Others	261	205
Total	23,866	22,057
South America:		
Argentina	1,097	1,304
Brazil	3,602	4,594
Chile	406	395
Colombia	659	889
Ecuador	128	185
Peru	281	613
Uruguay	180	200
Venezuela	290	539
Others	51	113
Total	6,694	8,832
Western Europe:		
Austria	416	428
Belgium	1,068	701
Denmark	40	28
Finland	168	182
France	3,621	2,817
Germany, West	4,349	3,057
Greece	451	1,369
Italy	4,125	3,657
Netherlands	552	280
Norway	91	2
Portugal	1,335	1,601
Spain	2,101	1,917
Sweden	155	87
Switzerland	965	878
United Kingdom	3,635	2,265
Yugoslavia	1,100	1,050
Others	160	24
Total	24,332	20,343
USSR	14,604	16,552

Table 1. WORLD'S COTTON SPINDLES, 1969 AND 1978 (Continued)
(1,000 spindles in place on December 31)

Country	1969	1978
Eastern Europe:		
Bulgaria	800	870
Czechoslovakia	2,124	1,869
Germany Democratic Republic	1,625	1,768
Hungary	688	568
Poland	2,083	2,058
Romania	850	909
Total	8,170	8,042
Asia and Oceania:		
Australia	236	188
Burma	190	169
China	13,550	20,000
Hong Kong	826	788
India	17,668	20,263
Indonesia	527	1,645
Iran	782	1,135
Iraq	53	227
Israel	308	343
Japan	11,659	11,205
Korea, South	856	2,718
Lebanon	95	85
Pakistan	2,915	3,549
Philippines	780	1,216
Syria	167	258
Taiwan	1,200	3,233
Thailand	355	1,153
Turkey	1,200	3,047
Vietnam	150	57
Others	959	1,567
Total	54,476	72,846
Africa:		
Algeria	160	260
Egypt	1,596	2,641
Ethiopia	167	125
Nigeria	240	673
South Africa	487	722
Sudan	80	236
Zaire	109	128
Others	858	1,509
Total	3,697	6,294
World Total	135,839	154,966

Source: International Textile Manufacturers Fed., Zurich, Switzerland.
September 1980

Commodity Programs, FAS, USDA

Table 2. U. S. COTTON EXPORTS BY COUNTRY OF DESTINATION
(1,000 bales of 480-lb net)

Destination	Year beginning August 1							
	Average 1960-64	Average 1965-69	Average 1970-74	1975	1976	1977	1978	1979
Asia & Oceania:								
Australia	63	14	7	1	1	4	1	1
Bangladesh	0	0	54	142	122	46	116	71
China	0	0	358	9	0	443	648	2,268
Hong Kong	150	173	185	132	379	503	427	636
India	324	231	64	0	287	1	1	0
Indonesia	42	120	193	244	200	234	236	297
Japan	1,216	884	1,023	672	1,020	1,077	1,342	1,588
Khmer, Rep. of	0	0	8	0	0	0	0	0
Korea, Rep. of	267	397	614	939	959	1,231	1,278	1,484
Malaysia	1	4	21	19	43	54	58	51
Pakistan	14	9	2	2	2	1	1	1
Philippines	126	134	144	110	92	104	124	145
Singapore	2	4	20	16	33	23	13	33
Taiwan	210	281	411	522	451	512	454	728
Thailand	35	69	160	74	174	170	243	260
Vietnam	47	67	91	1	0	0	0	0
Other Asia & Oceania	8	0	4	0	5	16	19	7
Total	2,505	2,387	3,359	2,882	3,768	4,417	4,959	7,570
Europe:								
Belgium	124	39	48	12	16	9	15	26
France	330	111	81	23	47	84	63	92
Germany, West	277	84	99	11	37	68	96	204
Italy	356	152	121	54	88	81	145	185
Netherlands	113	29	31	3	12	21	18	11
United Kingdom	251	102	71	11	69	62	72	72
Other EC	19	22	4	1	4	2	18	50
Subtotal	1,470	539	456	115	273	327	427	640
Finland	18	9	9	4	14	9	8	14
Greece	2	6	21	7	42	40	11	124
Norway	13	7	7	6	3	2	4	7
Poland	131	74	31	34	9	36	74	27
Portugal	22	5	26	5	67	71	27	66
Romania	2	10	65	0	18	33	53	126
Spain	76	6	54	18	90	67	65	131
Sweden	83	61	31	21	17	22	23	21
Switzerland	77	46	60	30	80	110	91	117
Other Europe	150	81	6	2	2	5	2	10
Total	2,044	844	766	242	615	722	785	1,283

continued

Table 2. U.S. COTTON EXPORTS BY COUNTRY OF DESTINATION(Continued)
(1,000 bales of 480-lb net)

Destination	Year beginning August 1							
	Average 1960-64	Average 1965-69	Average 1970-74	1975	1976	1977	1978	1979
Western Hemisphere:								
Canada	369	211	274	135	194	222	222	272
Chile	19	2	3	¹	11	2	0	¹
Colombia	3	12	3	¹	0	¹	27	23
Other Western Hemisphere ..	7	11	15	8	5	22	19	9
Total	398	236	295	143	210	246	268	304
Africa & Middle East:								
Algeria	1	11	12	0	5	2	0	¹
Egypt	0	0	4	0	115	62	102	0
Ethiopia	9	13	1	0	0	0	0	0
Ghana	¹	15	33	28	37	13	12	12
Morocco	12	22	24	4	10	17	39	28
Nigeria	¹	¹	12	5	0	1	0	0
South Africa, Republic of ..	42	21	16	6	8	1	0	0
Other Africa & Middle East ..	52	37	7	1	16	3	15	32
Total	116	119	109	44	191	99	168	72
Grand Total	5,063	3,586	4,529	3,311	4,784	5,484	6,180	9,229

¹ Less than 500 bales.

Source: Bureau of the Census

September 1980

Tobacco, Cotton, and Seeds Division
Commodity Programs, FAS/USDA

LIST OF EXPORTERS¹
AMERICAN COTTON SHIPPERS ASSOCIATION

April 1980

Most of the listed firms have branch offices, that are not included here. Any trade names are indicated in parentheses under the firm names.

Firm & Address	Cable Address	TELEX/TWX
R. H. Allen & Co. 618 Cotton Exchange Bldg. Memphis, Tenn. 38103	DERSALL	
Alленberg Cotton Co., Inc. 104 South Front St. P.O. Box 254 Memphis, Tenn. 38101	ALLENBERG	53-879 (Alленberg Mfs) 53-976
(Globe Cotton Export Co.) (Memtex Cotton Co.) (M. M. Holder & Co.) (Hiller Wilbur) (Front Street Cotton Co.)		
Arcom Industries 230 Park Ave. New York, N.Y. 10017	ARCOMCO	
Barnett Sales Co., Inc. P.O. Box 107 Lubbock, Tex. 79408	AVBAR	74-4436 (Avbar Lbk)
(Barnett Cotton Co.)		
Barnwell & Hays, Inc. P.O. Box 3146 Memphis, Tenn. 38103	BARNHAYS	53-3158 (Brnwellhays Mfs)
Baumann, Hinde Inc. 915 Cotton Exchange Bldg. Dallas, Tex. 75201	BAHICOT	73-0389 (Bahicot Dal)
(Baumann, Hinde & Co., Ltd.)		
Geo. D. Bennett & Co., Inc. P.O. Box 2622 Harlingen, Tex. 78550	BENCO	76-6658 (Benco Hgn)
Bryant Textiles, Inc. 3330 Peachtree Rd. Bldg. Atlanta, Ga. 30326	BRYTEX	

¹ No discrimination is intended against exporters omitted from this list and no guarantee of reliability is implied.

Firm & Address	Cable Address	TELEX/TWX
California Cotton Marketing Co., Inc. P.O. Box 11966 Fresno, Calif. 93776	CALMKT	35-5339 (Calmkt Fso)
Chickasaw Cotton Co. P.O. Box 3329 Memphis, Tenn. 38103		53-3158(Brnwelhays Mfs) c/o Chickasaw Cotton Co.
Commodity Export Corp. P.O. Box 2434 Lubbock, Tex. 79408	COMEX	74-4423 (Comex Lbk)
Cook Industries, Inc. 855 Ridge Lake Blvd. Memphis, Tenn. 38138	COOK	53-984 (Cook Mfs)
(Atlas Export-Import Co.) (Cotton Trading Corp.) (Fisher Cotton Co.) (Texokark Cotton Co.) (Memphis Arkansas Cotton Co.) (West Tennessee Cotton Co.) (Cook Export Corp.)		
Cotton Import & Export Co. P.O. Box 183 Dallas, Tex. 75221	COTTONIMEX	TWX 910-861-4040 (Cottonimex Dal)
(Dallas Cotton Co. (LE)) (Royal Cotton Co.) (Western Cotton Co.)		
Cotton Salvage & Sales 701 E 42nd St. Lubbock, Tex. 79404	COSAL	74-4479 (Cosal Lbk)
(Brix, Inc.) (Jaguar, Inc.) (Exico, Inc.)		
Cotton States Trading Corp. P.O. Box 6012 Spartanburg, S.C. 29304	COTSTATE	809-413 (Cotstate Spa)
(Allen Gardner & Scott, Inc.) (Powers & Co.) (Precision Cotton Co.) (Cotstate Int., Ltd. (LE))		
Crawford & Co. P.O. Box 9252 Memphis, Tenn. 38109	CRAWFORD	

Firm & Address	Cable Address	TELEX/TWX
R. L. Dixon & Brothers, Inc. 601 Cotton Exchange Bldg. Dallas, Tex. 75201 (Regal Cotton Co.)	DIXON	73-0395 (RLDixon Dal)
Dunavant Enterprises, Inc. 3797 New Getwell Rd. P.O. Box 433 Memphis, Tenn. 38101 (All-American Cotton Co.) (Texas Cotton Trading Co.) (Dunavant Exports Corp.) (Cal-Tex Cotton Export Co.)	DUNCO	53-854 (WBDunavant Mfs)
Esteve Brothers & Co., Inc. P.O. Box 296 Dallas, Tex. 75221 (Imperial Cotton Co.) (Columbia Cotton Co.) (Continental Cotton Co.) (Atlas Export & Import Co.)	COTEVE	73-317 (Estevecott Dal)
T. J. Flake & Co. 924 Cotton Exchange Bldg. Memphis, Tenn. 38103	FLAKE	
Berson Frye & Co., Cotton, Inc. P.O. Box 12205 Fresno, Calif. 93776 (Berson Frye & Co., Exports)	BERFRY	35-5465 (Berfy Fso)
Gardner & Co. P.O. Box 3202 Memphis, Tenn. 38103 (Memphis Cotton Export Co.) (Gardner & Son, Inc. (LE))	GARPE	53-865 (Gardner Mfs)
Kenneth Hancock, Cotton, Inc. P.O. Box 1706 Lubbock, Tex. 79408 (American Commodity & Export Co., Inc.)		74-4473 (Amcomixinc Lbk)
W.P. Handwerker & Co., Inc. P.O. Box 12063 Fresno, Calif. 93776	CALMKT	35-5339 (Calmkt Fso)

Firm & Address	Cable Address	TELEX/TWX
Adolph Hanslik Cotton Co. P.O. Box 2688 Lubbock, Tex. 79408 (Sunray International Corp.)	AHAN	TWX 910-896-4362 (Kingcotton Lbk)
Hohenberg Brothers Co. P.O. Box 193 Memphis, Tenn. 38101 (National Cotton Co.) (Quality Cotton Co.) (Cotton Alliance Co.) (Hohenberg Bros. Co. (International) (LE)) (R. T. Hoover & Co., Inc. (LE))	HOHENBERG	53-3194 (Hohenberg Mfs) 53-3195 (Hohencot A Mfs) 53-3196 (Hohencot B Mfs)
Holthofer Cotton Co., Inc. P.O. Box 3042 Memphis, Tenn. 38103 (Fecco International)	HOLCOT	53-887 (Holthofer Mfs)
R. T. Hoover & Co., Inc. P.O. Box 1769 El Paso, Tex. 79999	HOOVERCO	74-9459 (Hooverco Elp)
Houchin, Barrentine & Getty Oil P.O. Box 11146 Bakersfield, Calif. 93389	HOBAR	
Howard Cotton Co. P.O. Box 3303 Memphis, Tenn. 38103	HOWARD	53-976 (Howard Ctn Mfs)
Ideal Trading Co. P.O. Box 803 Lubbock, Tex. 79408 (Cotton Service Corp.) (Overseas Trading Co.)	IDEAL	TWX 910-896-4362 (Kingcotton Lbk)
C. Itoh & Co. (America), Inc. P.O. Box 1326 Dallas, Tex. 75221 (M.C. Harless & Co.) (Dalwest Cotton Co.)	CITOH	73-311 (Cltoh Dal)
Japan Cotton Co. P.O. Box 1247 Dallas, Tex. 75221	NICHIMEN	73-355 (Nichimen Dal)

Firm & Address	Cable Address	TELEX/TWX
Kanematsu-Gosho (USA), Inc. 420 Cotton Exchange Bldg. Dallas, Tex. 75201	KANEGOLD	73-2283 (Kanegold Dal)
Kennedy Montgomery, Inc. P.O. Box 2188 Lubbock, Tex. 79401		74-4446 (Kenmo)
A. Lassberg & Co. P.O. Box 729 Austin, Tex. 78767 (Austin Cotton Co.)	LASSBERG	77-6454 (Lassberg Aus)
James Lawrence & Company 177 Milk St. Boston, Mass. 02109 (Marlie Trading, Inc.)	LAWRENCO	94-0841 (Dash Bsn)
W. D. Lawson & Co. P.O. Box 638 Gastonia, N.C. 28052 (Lone Star Cotton Co. of Memphis)	LAWSCO	57-2393 (Cotton Gana)
Lineberger Brothers, Inc. P.O. Box 126 Lincolnton, N.C. 28092	LINECOTON	
Nelson McCoy Cotton Co., Inc. 803 Cotton Exchange Bldg. Memphis, Tenn. 38103 (Thomas H. Miller Cotton Co.) (Planters Cotton Co.) P.O. Box 3838 Memphis, Tenn. 38103)		53-847 (Nelcoy Mfs)
Geo H. McFadden & Bro. P.O. Box 3060 Memphis, Tenn. 38103	MCFADDEN	53-814 (Vmi McFad Mfs)
Marubeni Cotton Corp. P.O. Box 1796 Dallas, Tex. 75221 (Southernwestern Cotton Co.)	MARUBENI	73-330 (Marubeni Dal)

Firm & Address	Cable Address	TELEX/TWX
Meredith-Jones, Inc. 907 Cotton Exchange Bldg. Dallas, Tex. 75201	MEREJONS	73-2261 (Merejons Dal)
Mikulenka & Co., Inc. P.O. Drawer L Hallettsville, Tex. 77964	MICKEY	
Mitsubishi International Corp. 555 South Flower St. Los Angeles, Calif. 90071		67-3139 (Mitsbshi Lsa A)
H. Molsen & Co., Inc. P.O. Box 2132 Dallas, Tex. 75221	MOLSEN	73-334 (Molsen Dal)
(Western Cotton Export Co.) (Southland Cotton Export Co.) (Tenn-Tex Cotton Co.) (Sunflower Cotton Co.) (Lone Star Cotton Co.)		
Nichimen & Co. Occidental Center 1150 South Olive St. Los Angeles, Calif. 90015	NICHIMEN LSA	67-4134 (Nichimen Lsa)
(Ticonian Trading Corp.)		
Nissho-Iwai American Corp. 120 Montgomery St. 20th Floor, Equitable Bldg. San Francisco, Calif. 94104	NISSHOIWAI	34-719 (Nisrock B Sfo)
(Katy Trading Co.)		
Normal W. Paschall Co., Inc. Peachtree City, Ga. 30269	PASCO PECH	54-2291 (Pasco Pech)
(Paschall Export-Import Co., Inc. (LE))		
Patton Brothers P.O. Box 3081 Memphis, Tenn. 38103	PBROS	TWX 810-591-1146 (Pbros Mfs)
(Sierra Cotton Co.) (St. Francis Cotton Co.)		

Firm & Address	Cable Address	TELEX/TWX
Patton Cotton Co. P.O. Box 2365 Lubbock, Tex. 79408		TWX 910-896-4334 (Ralcon Lbk)
(Cosmos Cotton Corp.) (Sun-Kay Enterprises) (Haptex) (Texark)		
Petco Cotton Co. P.O. Box 2833 Lubbock, Tex. 79408	PETCO	TWX 910-896-4362 (Kingcotton Lbk)
Plains Cotton Cooperative Assoc. P.O. Box 2827 Lubbock, Tex. 79408	PLAINS	TWX 910-896-4335 (Plains Lubbock)
(American Cotton Growers) (Oklahoma Cotton Cooperative Assoc.)		
Ralli Coney, Inc. P.O. Box 10225 Lubbock, Tex. 79408		TWX 910-896-4334 (Ralcon Lbk)
Paul Reinhart, Inc. 12903 Maxwell Rd. Cypress, Tex. 77429		79-1105 (Rein Tex Cypr)
Neil Rose P.O. Box 122 Lubbock, Tex. 79408	ROSE	
Rountree Cotton Co., Inc. P.O. Box 1390 Las Cruces, N.M. 88001	THARP	66-0402 (Tharp Lacs)
(Gibson Cotton Co.)		
Schwaback International Corp. 1610 Cotton Exchange Bldg. Dallas, Tex. 75201	SWAGOLD	73-0120 (Schwabach Dal)
H. A. Scott & Co. P.O. Box 11007 Fresno, Calif. 93771	HASCO FSO	35-5337 (Sumitomo Fso)
Jess Smith & Son, Inc. P.O. Box 1178 Bakersfield, Calif. 93302	JESS	68-2435 (Jess Bak)

Firm & Address	Cable Address	TELEX/TWX
Staplcotn P.O. Box 547 Greenwood, Miss. 38930	STAPLCOT	TWX 5 10-988-1206 (StaplcotnGwd)
C. Stubblefield & Co. P.O. Box 385 Hillsboro, Tex. 76645 (Cen-Tex Cotton Co.) (Hogg Cotton Co.)	STUBBY	73-2510 (Stubby Hill)
Sumitomo Corp. of America P.O. Box 12943 Fresno, Calif. 93779	SUMITOMO	35-5337 (Sumitomo Fso)
R. S. Tapp & Co. P.O. Box 2429 Lubbock, Tex. 79408 (Weslu Cotton Co.) (Continental Commodity Co.)	TAPCO	TWX 910-896-4315 (Tapco-Lub-Tex)
Starke Taylor & Son, Inc. P.O. Box 656 Dallas, Tex. 75221 (Cotton States Export Co.) (Austex Trading Co.) (Star-Tex Trading Co. (LE))	STARKE	73-0201 (Starke Dal)
Texas Cotton Marketing Corp. P.O. Box 2628 Lubbock, Tex. 79408	OSPIN	74-4440 (Ospin Lbk)
J. R. Tindall Cotton Co. P.O. Box 1117 Lubbock, Tex. 79408	JTIN	
Toyo Cotton Co. P.O. Box 31408 Dallas, Tex. 75231	TOYOCOT TOYOCOTTON	73-2482 (Toyocot Dal B)
Volkart Brothers, Inc. P.O. Box 1149 Pasadena, Calif. 91102	VOLKART	67-5431 (Vokart Psd)
Volkart Brothers, Inc. 608 North St. Paul St. Dallas, Tex. 75201	VOLKART DALLAS	73-2786 (Volkart Dal)
Joseph Walker & Co. P.O. Box 11359 Columbia, S.C. 29211	WALKER	

Firm & Address	Cable Address	TELEX/TWX
Weil Brothers-Cotton, Inc. P.O. Box 100 Montgomery, Ala. 36101	WEILBROS	59-3421 (WeilBros Mgy)
Weil Brothers-Cotton, Inc. P.O. Box 284 Memphis, Tenn. 38101	WEILBROS	53-889 (Weil Bros Mfs)
(Frescot Co.) (Gulf Cotton Export Co.) (H. H. Lawler & Co.) (Pacific Cotton Export Co.)		
S. Y. West & Co., Inc. P.O. Box 1077 Dallas, Tex. 75221	SIDWEST	73-0861

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Domestic Offices

AMCOT

P.O. Box 259

Bakersfield, Calif 93302

Staple Cotton Cooperative Assoc

P.O. Box 547

Greenwood, Miss 38920

Telex: 510-9881206

Plains Cotton Cooperative Assoc

P.O. Box 2827

Lubbock, Tex 79408

Telex: 910-8964335

**Southwestern Irrigated Cotton Growers Assoc
(SWIG)**

P.O. Box 1709

El Paso, Tex 79949

Telex: 74-9434

Calcot, Ltd.

P.O. Box 259

Bakersfield, Calif 93302

Telex: 68-2412

Overseas Offices, AMCOT

Amcot International, Inc.

G.P.O. Box 382

Hong Kong

Telex: 780-73444

C.P.O. Box 2669

Seoul 100, Korea

Telex: 787-24121

Sun Building

18, 2-chome Yokobori

Hagishiku, Osaka, Japan

Telex: 781-63432

Tai Chi Building, Room 907

10 Chung King So. Road

Section 1, Taipei, Taiwan

Telex: 785-22771

Mr. Stephen Bowkett

Box 1848

N-5011 Bergen, Nordnes

Norway*

Telex: 856-42839

Brussels: *Telex: 846-26025

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